

**AUDITED FINANCIAL STATEMENTS**  
**SAINT CHARLES MESA WATER DISTRICT**  
**PUEBLO, COLORADO**  
December 31, 2020 and 2019

## CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis - Required Supplementary Information</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	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**

February 10, 2021

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 (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District, as of December 31, 2020 and 2019, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

*Darren Ross* | *DeMando, Inc.*

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

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

St. Charles Mesa Water District

For the years ended December 31, 2020, 2019, and 2018

---

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, 2020. 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, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percentage</u>	<u>2018</u>	<u>Change</u>	<u>Percentage</u>
<b>Program Revenues</b>							
Water Sales	\$ 2,780,454	\$ 2,476,347	\$ 304,107	12.28%	\$ 2,706,611	\$ (230,264)	-8.51%
Other operating revenue	160,418	159,885	533	0.33%	159,988	(103)	-0.06%
<b>General and Other Revenues</b>							
Investment income	6,212	9,093	(2,881)	-31.68%	9,877	(784)	-7.94%
Gain on sale of assets	<u>73,537</u>	<u>107,859</u>	<u>(34,322)</u>	-31.82%	<u>-</u>	<u>107,859</u>	100.00%
<b>Total Revenues</b>	<u>3,020,621</u>	<u>2,753,184</u>	<u>267,437</u>	9.71%	<u>2,876,476</u>	<u>(123,292)</u>	-4.29%
<b>Program Expenses</b>							
Source of supply	451,987	437,348	14,639	3.35%	414,394	22,954	5.54%
Water treatment	775,813	784,041	(8,228)	-1.05%	748,742	35,299	4.71%
Transmission & distr.	587,423	588,051	(628)	-0.11%	569,361	18,690	3.28%
Administrative	667,693	693,671	(25,978)	-3.75%	717,776	(24,105)	-3.36%
Interest expense	186,364	203,748	(17,384)	-8.53%	218,067	(14,319)	-6.57%
Bond issue costs	176,136	-	176,136	100.00%	-	-	-
Amortization of loss on debt extinguishment	<u>7,991</u>	<u>7,991</u>	<u>-</u>	-	<u>7,991</u>	<u>-</u>	-
<b>Total Expenses</b>	<u>2,853,407</u>	<u>2,714,850</u>	<u>138,557</u>	5.10%	<u>2,676,331</u>	<u>38,519</u>	1.44%
Income (loss) before contributions	167,214	38,334	128,880	336.20%	200,145	(161,811)	-80.85%
<b>Contributions</b>							
Capital Grants	98,396	184,853	(86,457)	-46.77%	625,802	(440,949)	-70.46%
System development fees	<u>380,184</u>	<u>159,702</u>	<u>220,482</u>	138.06%	<u>314,954</u>	<u>(155,252)</u>	-49.29%
<b>Change in Net Position</b>	<u>\$ 645,794</u>	<u>\$ 382,889</u>	<u>\$ 262,905</u>	68.66%	<u>\$ 1,140,901</u>	<u>\$ (758,012)</u>	-66.44%

**Total Revenues**

The combined revenue for the 2020 fiscal year totaled \$3,020,621 compared to the prior year of \$2,753,184. This is an increase of \$267,437 or 9.71%. The District experienced a 4.29% decrease from 2018 to 2019. Combined revenues are comprised of water sales and land and water leases. The District received \$98,396 of capital grant money in 2020 to help with the Cottonwood Diversion Project.

**Water Sales**

Water sales increased in 2020 by \$304,107 or 12.28% over the previous year of \$2,476,347. The District experienced a 8.51% decrease in water sales from 2018 to 2019.

**Interest Earnings**

This past year has seen a decrease in the District's earnings from investments in 2020 compared to 2019. In 2019 the District earned \$9,093 compared to 2020 earnings of \$6,212. The decrease is due to the District's bond proceeds and capital improvement account funds being spent down and the early withdrawal of two CD's when the District refinanced their bonds. 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, 2020, 2019, and 2018

**Total Expenses**

Combined expenses for the 2020 fiscal year totaled \$2,853,407 compared to the prior year of \$2,714,850. This is an increase of \$138,557 or 5.10%. The District had a 1.44% increase in expenses from 2018 to 2019. 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 \$91,136 in 2020, \$124,922 in 2019 and \$114,493 in 2018 for legal services.

**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.

A condensed summary of the District's net position at December 31, 2020, 2019, and 2018 is presented below.

<u>Statement of Net Position</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percentage</u>	<u>2018</u>	<u>Change</u>	<u>Percentage</u>
<b>Assets</b>							
Capital assets	\$ 16,725,458	\$ 16,419,608	\$ 305,850	1.86%	\$ 16,023,603	\$ 396,005	2.47%
Current and other assets	<u>2,602,768</u>	<u>2,945,226</u>	<u>(342,458)</u>	-11.63%	<u>4,006,512</u>	<u>(1,061,286)</u>	-26.49%
<b>Total Assets</b>	<u>19,328,226</u>	<u>19,364,834</u>	<u>(36,608)</u>	-0.19%	<u>20,030,115</u>	<u>(665,281)</u>	-3.32%
Deferred outflows	<u>15,983</u>	<u>23,974</u>	<u>(7,991)</u>	-33.33%	<u>31,965</u>	<u>(7,991)</u>	-25.00%
<b>Liabilities</b>							
Long term liabilities	5,175,349	5,940,652	(765,303)	-12.88%	6,949,522	(1,008,870)	-14.52%
Other liabilities	<u>717,626</u>	<u>642,716</u>	<u>74,910</u>	11.66%	<u>690,007</u>	<u>(47,291)</u>	-6.85%
<b>Total Liabilities</b>	<u>5,892,975</u>	<u>6,583,368</u>	<u>(690,393)</u>	-10.49%	<u>7,639,529</u>	<u>(1,056,161)</u>	-13.82%
<b>Net Position</b>							
Invested in capital assets, net of related debt	11,691,374	10,224,590	1,466,784	14.35%	9,257,956	966,634	10.44%
Restricted for debt service	-	744,581	(744,581)	-100.00%	744,581	-	0.00%
Unrestricted	<u>1,759,860</u>	<u>1,836,269</u>	<u>(76,409)</u>	-4.16%	<u>2,420,014</u>	<u>(583,745)</u>	-24.12%
<b>Total Net Position</b>	<u>\$ 13,451,234</u>	<u>\$ 12,805,440</u>	<u>\$ 645,794</u>	5.04%	<u>\$ 12,422,551</u>	<u>\$ 382,889</u>	3.08%

**Net Position**

The District's net position increased in 2020. The District received bond proceeds in 2012 that are to be spent on capital assets. The bond proceeds were fully spent in 2019. The District refinanced their bonds in 2020. The 2019 total assets were \$19,364,834 and \$19,328,226 in 2020 a decrease of \$36,608 or 0.19%. The District's total net position increased from 2019 to 2020 by \$645,794 or 5.04%.

**Management's Discussion and Analysis (Continued)**  
 St. Charles Mesa Water District  
 For the years ended December 31, 2020, 2019, and 2018

**Capital Expenditures**

During 2020 expenditures for capital projects totaled \$1,101,794.

**Water Purchases**

The District acquired 8.0 shares of Bessemer Irrigating Ditch Company stock in 2020, 21.60 shares in 2019 and 11.360 shares in 2018.

**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 purchased a municipal bond insurance policy and a reserve fund insurance policy when they refinanced the 2012 bonds in 2020.

	<u>12/31/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/20</u>
2012 Series A Water Revenue Bonds	\$ 4,885,000	\$ -	\$ 4,885,000	\$ -
2012 Series B Water Enterprise Bonds	145,000	-	145,000	-
Series 2020A Water Enterprise Bonds	-	4,015,000	-	4,015,000
Government Agency Bonds	<u>831,566</u>	<u>-</u>	<u>58,940</u>	<u>772,626</u>
<b>TOTAL</b>	<b><u>\$ 5,861,566</u></b>	<b><u>\$ 4,015,000</u></b>	<b><u>\$ 5,088,940</u></b>	<b><u>\$ 4,787,626</u></b>

The District refinanced the 2012 revenue bonds in 2020. The new issue was used to retire two previous bond issues that were at higher interest rates.

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

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

- The District began the installation of a ground water treatment facility. It will have two chlorine contact tanks and filtering system and water quality monitoring equipment. The total cost when complete in 2020 is \$300,000.
- The District installed a water filling station for construction water and for customers that use cisterns. The District will no longer allow the use of fire hydrants for construction water. This should save the District money and staff time repairing hydrants. It will also provide better tracking of water use. The cost of the installation was \$95,000. This has increased the District's water revenue for construction and dust control water usage and has proven to be a water conservation tool.
- 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 use in 2020. The remaining 853.494 shares will be leased to farms until needed. The District owns a total of 2095.9020 shares as of December 2020.

**Management's Discussion and Analysis (Continued)**  
St. Charles Mesa Water District  
For the years ended December 31, 2020, 2019, and 2018

---

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

- The District installed 31 new water taps in 2020 providing revenue of \$328,184. The water tap sales in 2020 will carryforward into 2021 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 2021 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 1.2% for 2021 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 will also be adding hydraulic modeling to its GIS mapping using the data being collected. This will give the District accurate information on the water distribution system.
- The District's Board of Directors authorized the first purchase of radio read meters in 2008. The District installed 497 radio read meters in 2020. The District has budgeted for another 400 radio read meters in 2021. The District currently has 4,316 service connections and 3,706 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 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**  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,445,590	\$ 1,054,393
Certificates of deposit	701,960	734,694
Receivables	174,410	167,924
Inventories	187,870	178,932
Prepaid expenses	92,938	64,702
	<u>2,602,768</u>	<u>2,200,645</u>
	<b>Total Current Assets</b>	
Noncurrent assets		
Restricted certificates of deposit	-	744,581
Capital assets - net of depreciation	16,725,458	16,419,608
	<u>16,725,458</u>	<u>17,164,189</u>
	<b>Total Noncurrent Assets</b>	
	<u>19,328,226</u>	<u>19,364,834</u>
	<b>Total Assets</b>	
	<u>15,983</u>	<u>23,974</u>
<b>Deferred Outflows</b>		
	<u>15,983</u>	<u>23,974</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	134,111	66,079
Compensated absences	17,060	14,112
Capital leases	37,195	23,523
Long-term debt	462,179	415,727
Other current liabilities	67,081	123,275
	<u>717,626</u>	<u>642,716</u>
	<b>Total Current Liabilities</b>	
Noncurrent liabilities		
Compensated absences	178,460	184,884
Capital leases	39,483	-
Long-term debt	4,957,406	5,755,768
	<u>5,175,349</u>	<u>5,940,652</u>
	<b>Total Noncurrent Liabilities</b>	
	<u>5,892,975</u>	<u>6,583,368</u>
	<b>Total Liabilities</b>	
<b>Net Position</b>		
Invested in capital assets, net of related debt	11,229,195	10,224,590
Restricted	-	744,581
Unrestricted	2,222,039	1,836,269
	<u>\$ 13,451,234</u>	<u>\$ 12,805,440</u>
	<b>Total Net Position</b>	

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Water sales	\$ 2,780,454	\$ 2,476,347
Other operating income	<u>160,418</u>	<u>159,885</u>
<b>Total Operating Revenues</b>	<u>2,940,872</u>	<u>2,636,232</u>
<b>Operating Expenses</b>		
Source of supply	451,987	437,348
Water treatment	775,813	784,041
Transmission and distribution	587,423	588,051
Administrative	<u>667,693</u>	<u>693,671</u>
<b>Total Operating Expenses</b>	<u>2,482,916</u>	<u>2,503,111</u>
<b>Net Operating Income (Loss)</b>	<u>457,956</u>	<u>133,121</u>
<b>Nonoperating Revenue (Expenses)</b>		
Interest and investment income	6,212	9,093
Gain on sale of assets	73,537	107,859
Interest expense	(186,364)	(203,748)
Bond issue costs	(176,136)	-
Amortization of loss on debt extinguishment	<u>(7,991)</u>	<u>(7,991)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(290,742)</u>	<u>(94,787)</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>167,214</u>	<u>38,334</u>
<b>Capital Contributions</b>		
System development fees	380,184	159,702
Capital grants	<u>98,396</u>	<u>184,853</u>
<b>Total Capital Contributions</b>	<u>478,580</u>	<u>344,555</u>
<b>Change in Net Position</b>	645,794	382,889
<b>Total Net Position - Beginning</b>	<u>12,805,440</u>	<u>12,422,551</u>
<b>Total Net Position - Ending</b>	<u>\$ 13,451,234</u>	<u>\$ 12,805,440</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, 2020 and 2019

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 2,766,199	\$ 2,532,608
Cash payments to suppliers for goods and services	(984,710)	(1,130,210)
Cash payments to employees for services	(690,723)	(663,673)
Other operating revenue	<u>160,418</u>	<u>159,885</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,251,184</u>	<u>898,610</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(973,116)	(1,182,624)
Proceeds from capital grants	98,396	184,853
Proceeds from revenue bonds	4,211,119	-
Principal paid on revenue bond maturities and capital lease obligations	(5,129,251)	(1,014,723)
Interest paid on revenue bonds and capital lease obligations	(203,958)	(218,200)
System development fees collected	<u>271,990</u>	<u>180,236</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(1,724,820)</u>	<u>(2,050,458)</u>
 <b>Cash Flows From Investing Activities</b>		
Interest income	697	4,859
Cash proceeds from sale of assets	73,537	140,991
Investments matured	1,492,559	1,319,842
Investments purchased	<u>(701,960)</u>	<u>(471,855)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>864,833</u>	<u>993,837</u>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 391,197	 (158,011)
 <b>Cash and Cash Equivalents - Beginning</b>	 <u>1,054,393</u>	 <u>1,212,404</u>
 <b>Cash and Cash Equivalents - Ending</b>	 <u>\$ 1,445,590</u>	 <u>\$ 1,054,393</u>
 <b>Supplemental Disclosures of Non-Cash Financing and Investing Information</b>		
Financed assets acquired	<u>\$ 76,678</u>	<u>\$ -</u>
Capital Grants - in kind	<u>\$ 52,000</u>	<u>\$ 13,000</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 457,956	\$ 133,121
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	795,944	757,878
Capitalized labor	-	(4,391)
<b>(Increase) decrease in:</b>		
Accounts receivable	(14,255)	61,212
Inventory	(8,938)	(2,398)
Prepaid expense	(28,236)	708
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	52,189	(43,632)
Other current liabilities	-	(4,951)
Compensated absences	(3,476)	1,063
	<u>\$ 1,251,184</u>	<u>\$ 898,610</u>
<b>Net Cash Provided by Operations</b>	<u>\$ 1,251,184</u>	<u>\$ 898,610</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, 2020 and 2019

---

**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 less 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 services and producing goods 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. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, the unrestricted resources as they are needed.

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, 2020 and 2019

---

**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 debt refunding in 2012. The loss of \$85,905 will be amortized over the life of the issue. Amortization expense for the years ending December 31, 2020 and 2019 was \$7,991 and \$7,991, respectively. The unamortized amount at December 31, 2020 and 2019 is \$15,983 and \$23,974, 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, 2020 and 2019

---

**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, 2020 and 2019 the amount of accrued sick leave and vacation pay was \$195,520 and \$198,996, respectively. A portion of compensated absences will be shown as a current liability for 2020, \$17,060 will be paid out in 2021 to an employee that is retiring from the District. The remaining portion of \$178,460 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 2020 or 2019.

**Current Refunding**

The District applied the proceeds of Series 2020A water enterprise bonds along with other reserves to complete a current refunding of Series 2012 water enterprise bonds which were still outstanding. There was no difference between the reacquisition price and the net carrying amount in the 2020 transaction. The District completed the refunding to reduce its total debt service payments by \$651,565 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$544,324.

**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, 2020 and 2019

---

**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, 2020 the District had deposits in excess of \$250,000 in the amount of \$1,397,350. 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, 2020 and 2019

**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	744,007	744,007	-
Money Market	701,383	701,383	-
<b><u>Investments</u></b>			
Certificates of deposit	701,960	701,960	-
<b>Total Deposits</b>	<b><u>\$ 2,147,550</u></b>	<b><u>\$ 2,147,550</u></b>	<b><u>\$ -</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.

The District categorizes its fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1 or Level 3 inputs. The certificates of deposit are valued using a matrix pricing model (Level 2 inputs).

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. At December 31, 2020 the District's investments in the money market accounts are rated AAA by Moody and S&P.

**Note D - Receivables**

Receivables consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Due from customers for water usage	\$ 158,610	\$ 132,407
Miscellaneous receivables	15,696	27,644
Interest receivable	104	7,873
<b>Total Receivables</b>	<b><u>\$ 174,410</u></b>	<b><u>\$ 167,924</u></b>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
December 31, 2020 and 2019

**Note E - Note Receivable**

The District had a note receivable for Huerfano Cucharas Irrigation Company stock which originated in 2010. Despite several extensions the note had a balance of \$126,743. The District fully reserved for this amount and the loss was recognized in 2017. During 2020 the District sold the note to an investment company and realized a gain of \$58,746.

**Note F - Prepaid Expenses**

Prepaid expenses consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Prepaid insurance	\$ 66,094	\$ 38,314
Prepaid water storage	26,844	26,388
<b>Total Receivables</b>	<u>\$ 92,938</u>	<u>\$ 64,702</u>

**Note G - Changes in Capital Assets**

The following is a summary of the changes in capital assets for the year ended December 31, 2020.

	<u>Balance at</u> <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/20</u>
Land and land rights	\$ 402,580	\$ -	-	\$ 402,580
Water rights	561,412	-	-	561,412
Mutual irrigating company stock	3,521,209	52,000	-	3,573,209
Source of supply plant	6,481,424	200,761	-	6,682,185
Pumping plant	458,493	44,599	-	503,092
Water treatment plant	5,625,958	275,552	-	5,901,510
Transmission and distribution system	11,637,558	345,738	-	11,983,296
General plant	394,333	50,331	-	444,664
Equipment and vehicles	1,029,990	132,813	63,655	1,099,148
Non-utility property	469,118	-	-	469,118
<b>Totals</b>	<u>\$ 30,582,075</u>	<u>\$ 1,101,794</u>	<u>\$ 63,655</u>	<u>\$ 31,620,214</u>
Less accumulated depreciation	<u>(14,162,467)</u>			<u>(14,894,756)</u>
<b>Net Capital Assets</b>	<u>\$ 16,419,608</u>			<u>\$ 16,725,458</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$795,944 and \$757,878 respectively.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
 December 31, 2020 and 2019

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

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

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 90,552	\$ 38,558
Accrued property taxes	16,324	16,129
Accrued payroll taxes	360	360
Accrued interest	26,875	11,032
<b>Total Accrued Liabilities</b>	<u>\$ 134,111</u>	<u>\$ 66,079</u>

**Note I - Property Taxes**

The District has not levied a property tax for 2020 or 2019.

**Note J - Other Current Liabilities**

Other current liabilities consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Customer deposits	\$ 43,996	\$ 101,556
Fire hydrant maintenance	7,819	6,453
Rents - non-utility property	15,266	15,266
	<u>\$ 67,081</u>	<u>\$ 123,275</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 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, 2020 and 2019, employee contributions totaled \$23,120 and \$21,092, and the District recognized pension expense of \$32,083 and \$30,407, respectively.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**SAINT CHARLES MESA WATER DISTRICT**

December 31, 2020 and 2019

**Note K - Defined Contribution Pension Plan (Continued)**

Employees are immediately vested in their own contributions and earnings thereon. They 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, 2020 and 2019.

There was no outstanding liability for pension contributions as of December 31, 2020 and 2019.

**Note L - Line of Credit**

The District has a line of credit with Sunflower Bank that is annually renewable and will mature July 3, 2021. 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, 2020.

**Note M - Capital Leases**

On November 15, 2016 the District entered into a lease with Forsythe Solutions Group with an equipment acceptance date of January 1, 2017. Payments were 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 were due in two annual installments of \$20,738 including interest of 4.75%.

On September 18, 2020 the District entered into a lease with Form Motor Credit in the amount of \$76,678. Payments are due in two annual installments of \$41,911 including interest at 6.15%.

	<u>December</u> <u>31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2020</u>	<u>Current</u> <u>Portion</u>
Ford Motor Credit	\$ -	\$ 76,678	\$ -	\$ 76,678	\$ 37,195
Forsythe Solutions	3,745	-	3,745	-	-
John Deere	19,778	-	19,778	-	-
	<u>\$ 23,523</u>	<u>\$ -</u>	<u>\$ 23,523</u>	<u>\$ 76,678</u>	<u>\$ 37,195</u>

Future years repayment schedule:

	Principal	Interest	Total
2021	\$ 37,195	\$ 4,716	\$ 41,911
2022	39,483	2,428	41,911
	<u>\$ 76,678</u>	<u>\$ 7,144</u>	<u>\$ 83,822</u>

The assets acquired through capital leases total \$118,589 less accumulated depreciation of \$5,341.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
December 31, 2020 and 2019

**Note N - Long-Term Debt**

The following is a summary of long term debt transactions of the District for the year ended December 31, 2020:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2020</u>	<u>Current Portion</u>
Series 2012A water enterprise bonds	\$ 4,885,000	-	\$ 4,885,000	-	-
Series 2012B water enterprise bonds	145,000	-	145,000		-
Series 2020A water enterprise bonds	-	4,015,000	-	4,015,000	385,000
Government Agency Bonds	630,411	-	33,795	596,616	34,475
Govt. Agency Bonds CWR and PDA	201,155	-	25,145	176,010	25,144
Joseph Co.	167,892	-	16,788	151,104	17,560
Unamortized premiums	142,037	372,255	33,437	480,855	-
<b>Total</b>	<u>\$ 6,171,495</u>	<u>\$ 4,387,255</u>	<u>\$ 5,139,165</u>	<u>\$ 5,419,585</u>	<u>\$ 462,179</u>

Long-term debt at December 31, 2020 follows:

- The District issued Series 2020A water enterprise revenue refunding bonds. The proceeds were used to refund all of the District's Series 2012A Bonds, purchase a municipal bond insurance policy and a reserve fund insurance policy and to pay the costs of issuing the 2020 Bonds.

The bond is 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>
2021	\$ 385,000	\$ 134,168	\$ 519,168
2022	405,000	108,900	513,900
2023	420,000	96,750	516,750
2024	435,000	84,150	519,150
2025	450,000	71,100	521,100
2026 - 2029	<u>1,920,000</u>	<u>145,950</u>	<u>2,065,950</u>
	<u>\$ 4,015,000</u>	<u>\$ 641,018</u>	<u>\$ 4,656,018</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SAINT CHARLES MESA WATER DISTRICT**  
 December 31, 2020 and 2019

**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>
2021	\$ 34,475	\$ 11,761	\$ 46,236
2022	35,168	11,068	46,236
2023	35,874	10,361	46,235
2024	36,595	9,640	46,235
2025	37,331	8,904	46,235
2026 - 2030	198,218	32,960	231,178
2031 - 2035	218,955	12,222	231,177
	\$ 596,616	\$ 96,916	\$ 693,532

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>
2021	\$ 25,144
2022	25,144
2023	25,144
2024	25,144
2025	25,144
2026 - 2027	50,290
	\$ 176,010

**NOTES TO FINANCIAL STATEMENTS (Continued)**

SAINT CHARLES MESA WATER DISTRICT

December 31, 2020 and 2019

**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:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2021	\$ 17,560	\$ 6,440	\$ 24,000
2022	18,366	5,634	24,000
2023	19,210	4,790	24,000
2024	20,092	3,908	24,000
2025	21,016	2,984	24,000
2026 - 2028	54,860	3,140	58,000
	<u>\$ 151,104</u>	<u>\$ 26,896</u>	<u>\$ 178,000</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. This restriction was lifted during 2020 when the District issued a new refunding bond which included purchasing a municipal bond insurance policy and a reserve fund insurance policy.

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.

**Note P - Subsequent Event**

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As a result, economic uncertainties have arisen which are likely to negatively impact operations or carrying value of assets. Other financial implications may result, and such potential impact is unknown at this time.

## **Other Supplementary Information**

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

**BUDGETARY BASIS - BUDGET AND ACTUAL**

**SAINT CHARLES MESA WATER DISTRICT**

For the year ended December 31, 2020

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>2020</u> <u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Operating Revenues</b>				
Water revenues	\$ 2,448,000	\$ 2,448,000	\$ 2,780,454	\$ 332,454
Interest income	12,000	12,000	6,212	(5,788)
Other income	112,038	112,038	160,418	48,380
<b>Total Operating Revenues</b>	<u>2,572,038</u>	<u>2,572,038</u>	<u>2,947,084</u>	<u>375,046</u>
<b>Nonoperating Revenues</b>				
Capital contributions	72,736	72,736	478,580	405,844
Gain on sale of assets	-	-	73,537	73,537
Debt proceeds and reserves	-	762,310	762,311	1
<b>Total Nonoperating Revenues</b>	<u>72,736</u>	<u>835,046</u>	<u>1,314,428</u>	<u>479,382</u>
<b>Total Revenues</b>	<u>2,644,774</u>	<u>3,407,084</u>	<u>4,261,512</u>	<u>854,428</u>
<b>Operating Expenses</b>				
<b>Source of Supply</b>				
Salaries and employee benefits	38,411	38,411	82,018	(43,607)
Repairs and maintenance	85,000	85,000	35,325	49,675
Water assessments	225,660	225,660	185,297	40,363
Supplies and other expenses	6,500	6,500	6,219	281
<b>Total Source of Supply</b>	<u>355,571</u>	<u>355,571</u>	<u>308,859</u>	<u>46,712</u>
<b>Water Treatment Expense</b>				
Salaries and employee benefits	186,369	186,369	193,775	(7,406)
Repairs and maintenance	119,200	119,200	42,968	76,232
Chemicals	120,000	120,000	112,931	7,069
Power purchased for pumping	235,500	235,500	171,054	64,446
Supplies and other expenses	32,015	32,015	22,611	9,404
<b>Total Water Treatment Expense</b>	<u>693,084</u>	<u>693,084</u>	<u>543,339</u>	<u>149,745</u>
<b>Transmission and Distribution Expense</b>				
Salaries and employee benefits	206,354	206,354	159,166	47,188
Repairs and maintenance	104,000	104,000	59,193	44,807
Supplies and other expenses	16,200	16,200	11,963	4,237
<b>Total Transmission and Distribution Expense</b>	<u>326,554</u>	<u>326,554</u>	<u>230,322</u>	<u>96,232</u>
<b>Administrative and General Expenses</b>				
Salaries and employee benefits	251,321	251,321	252,288	(967)
Utilities and miscellaneous	22,800	22,800	15,862	6,938
Insurance	55,750	55,750	40,982	14,768
Office supplies and expenses	75,900	75,900	34,913	40,987
Professional services	218,100	218,100	178,507	39,593
Building repairs and maintenance	147,500	147,500	36,810	110,690
Directors, elections and other	36,200	36,200	19,253	16,947
Travel	7,000	7,000	351	6,649
Dues and subscriptions	25,000	25,000	25,486	(486)
Contingencies	139,000	139,000	-	139,000
<b>Total Administrative and General Expenses</b>	<u>978,571</u>	<u>978,571</u>	<u>604,452</u>	<u>374,119</u>
<b>Total Operating Expenses</b>	<u>2,353,780</u>	<u>2,353,780</u>	<u>1,686,972</u>	<u>666,808</u>

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

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

**BUDGETARY BASIS - BUDGET AND ACTUAL (Continued)**

SAINT CHARLES MESA WATER DISTRICT

For the year ended December 31, 2020

---

	<b><u>Original Budget</u></b>	<b><u>Amended Budget</u></b>	<b><u>2020 Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
<b>Nonoperating Expenditures</b>				
Interest expense	\$ 183,393	\$ 183,393	\$ 219,802	\$ (36,409)
Principal paid on debt	340,000	1,102,310	1,114,250	(11,940)
Capital outlay	<u>1,058,000</u>	<u>1,058,000</u>	<u>973,116</u>	<u>84,884</u>
<b>Total Nonoperating Expenditures</b>	<u>1,581,393</u>	<u>2,343,703</u>	<u>2,307,168</u>	<u>36,535</u>
<b>Total Expenditures</b>	<u>3,935,173</u>	<u>4,697,483</u>	<u>3,994,140</u>	<u>703,343</u>
<b>Excess of Revenues Over (Under) Expenditures (Budgetary Basis)</b>	(1,290,399)	(1,290,399)	(494,939)	795,460
<b>Funds Available - Beginning of Year</b>	<u>2,035,485</u>	<u>2,035,485</u>	<u>3,271,176</u>	<u>1,235,691</u>
<b>Funds Available - End of Year</b>	<u>\$ 745,086</u>	<u>\$ 745,086</u>	<u>\$ 2,776,237</u>	<u>\$ 2,031,151</u>

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

**BUDGET RECONCILIATION**  
**SAINT CHARLES MESA WATER DISTRICT**  
For the year ended December 31, 2020

---

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

<b>Revenue (Budgetary Basis)</b>	\$ 4,261,512
Less:	
Debt proceeds	(762,311)
Capital grants	(98,396)
System development fees	<u>(380,184)</u>
<b>Revenue (GAAP Basis)</b>	<u>3,020,621</u>
 <b>Expenses (Budgetary Basis)</b>	 3,994,140
Plus:	
Amortization	7,991
Bond issue costs	176,136
Depreciation	795,944
Less:	
Capital outlay	(973,116)
Labor costs capitalized	-
Principal payments	(1,114,250)
Amortization of bond premium	<u>(33,438)</u>
<b>Expenses (GAAP Basis)</b>	<u>2,853,407</u>
 <b>Income (Loss) Before Capital Contribution</b>	 <u>\$ 167,214</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, 2020 and 2019

---

	<u>2020</u>	<u>2019</u>
<b>Source of Supply</b>		
Salaries and employee benefits	\$ 82,018	\$ 71,454
Repairs and maintenance	35,325	44,622
Water assessments	185,297	176,895
Supplies and other expenses	6,219	3,221
Depreciation	<u>143,128</u>	<u>141,156</u>
<b>Total Source of Supply</b>	<u>451,987</u>	<u>437,348</u>
 <b>Water Treatment Expense</b>		
Salaries and employee benefits	193,775	189,804
Repairs and maintenance	42,968	75,381
Chemicals	112,931	115,145
Power purchased for pumping	171,054	168,242
Supplies and other expenses	22,611	24,347
Depreciation	<u>232,474</u>	<u>211,122</u>
<b>Total Water Treatment Expense</b>	<u>775,813</u>	<u>784,041</u>
 <b>Transmission and Distribution Expense</b>		
Salaries and employee benefits	159,166	146,734
Repairs and maintenance	59,193	83,790
Supplies and other expenses	11,963	10,160
Depreciation	<u>357,101</u>	<u>347,367</u>
<b>Total Transmission and Distribution Expense</b>	<u>587,423</u>	<u>588,051</u>
 <b>Total Water Operating Expenses</b>	 <u>\$ 1,815,223</u>	 <u>\$ 1,809,440</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, 2020 and 2019

---

	<u>2020</u>	<u>2019</u>
Depreciation	\$ 63,241	\$ 58,233
Directors' fees and meeting expenses	12,993	11,807
Dues and subscriptions	25,486	24,310
Election costs	6,260	-
Insurance	40,982	41,887
Office supplies and expenses	34,913	38,439
Professional fees	178,507	212,804
Repairs and maintenance	36,810	31,087
Salaries and employee benefits	252,288	252,353
Travel	351	7,086
Utilities	<u>15,862</u>	<u>15,665</u>
<b>Total Administrative and General Expenses</b>	<b><u>\$ 667,693</u></b>	<b><u>\$ 693,671</u></b>

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

**SCHEDULES OF DEBT SERVICE COVERAGE**

**SAINT CHARLES MESA WATER DISTRICT**

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Gross operating revenue	\$ 2,940,872	\$ 2,636,232
Investment income	612	9,093
Gain on sale of assets	73,537	107,859
System development fees	<u>380,184</u>	<u>159,702</u>
<b>Total Revenue (Excluding Capital Grants)</b>	<u>3,395,205</u>	<u>2,912,886</u>
Total operating expenses	2,482,916	2,503,111
Less depreciation expense	<u>(795,944)</u>	<u>(757,878)</u>
<b>Adjusted Operating Expenses</b>	<u>1,686,972</u>	<u>1,745,233</u>
<b>Net Revenue</b>	<u>\$ 1,708,233</u>	<u>\$ 1,167,653</u>
Debt service expenditures required:		
Series 2012 A water enterprise bonds	\$ 195,000	\$ -
Series 2012 B water enterprise bonds	145,000	330,000
Government agency bonds	58,940	58,274
Joseph Co.	<u>16,788</u>	<u>16,051</u>
<b>Total Debt Service Expenditures</b>	<u>415,728</u>	<u>404,325</u>
Required ratio	110%	110%
<b>Net Revenue Required</b>	<u>457,301</u>	<u>444,758</u>
<b>Excess (Deficit)</b>	<u>\$ 1,250,932</u>	<u>\$ 722,896</u>

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