

AUDITED FINANCIAL STATEMENTS
SAINT CHARLES MESA WATER DISTRICT
PUEBLO, COLORADO
December 31, 2021 and 2020

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis - Required Supplementary Information	i - v
Basic Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 18
Other Supplementary Information	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Budgetary Basis)	19 - 20
Budget Reconciliation	21
Schedules of Water Operating Expenses	22
Schedules of General and Administrative Expenses	23
Schedules of Debt Service Coverage	24

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 9, 2022

Board of Directors
Saint Charles Mesa Water District
Pueblo, Colorado

Report on the Audit of the Financial Statements

Opinions

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021 and 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Board of Directors
Saint Charles Mesa Water District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darren Ross $\frac{1}{2}$ *DeMando, Inc.*

Management's Discussion and Analysis

Management's Discussion and Analysis

St. Charles Mesa Water District

For the years ended December 31, 2021, 2020, and 2019

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, 2021. 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 4,316 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 8 - 18 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, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percentage</u>	<u>2019</u>	<u>Change</u>	<u>Percentage</u>
Program Revenues							
Water Sales	\$ 2,719,490	\$ 2,780,454	\$ (60,964)	-2.19%	\$ 2,476,347	\$ 304,107	12.28%
Other operating revenue	185,395	160,418	24,977	15.57%	159,885	533	0.33%
General and Other Revenues							
Investment income	1,723	6,212	(4,489)	-72.26%	9,093	(2,881)	-31.68%
Gain on sale of assets	-	73,537	(73,537)	-100.00%	107,859	(34,322)	100.00%
Total Revenues	<u>2,906,608</u>	<u>3,020,621</u>	<u>(114,013)</u>	<u>-3.77%</u>	<u>2,753,184</u>	<u>267,437</u>	<u>9.71%</u>
Program Expenses							
Source of supply	414,562	451,987	(37,425)	-8.28%	437,348	14,639	3.35%
Water treatment	793,191	775,813	17,378	2.24%	784,041	(8,228)	-1.05%
Transmission & distr.	670,875	587,423	83,452	14.21%	588,051	(628)	-0.11%
Administrative	733,229	667,693	65,536	9.82%	693,671	(25,978)	-3.75%
Interest expense	86,841	186,364	(99,523)	-53.40%	203,748	(17,384)	-8.53%
Bond issue costs	-	176,136	(176,136)	-100.00%	-	176,136	100.00%
Amortization of loss on debt extinguishment	7,991	7,991	-	-	7,991	-	-
Total Expenses	<u>2,706,689</u>	<u>2,853,407</u>	<u>(146,718)</u>	<u>-5.14%</u>	<u>2,714,850</u>	<u>138,557</u>	<u>5.10%</u>
Income (loss) before contributions	199,919	167,214	32,705	19.56%	38,334	128,880	336.20%
Contributions							
Capital Grants	-	98,396	(98,396)	-100.00%	184,853	(86,457)	-46.77%
System development fees	289,966	380,184	(90,218)	-23.73%	159,702	220,482	138.06%
Change in Net Position	<u>\$ 489,885</u>	<u>\$ 645,794</u>	<u>\$ (155,909)</u>	<u>-24.14%</u>	<u>\$ 382,889</u>	<u>\$ 262,905</u>	<u>68.66%</u>

Total Revenues

The combined revenue for the 2021 fiscal year totaled \$2,906,608 compared to the prior year of \$3,020,621. This is a decrease of \$114,013 or 3.77%. The District experienced a 9.71% increase from 2019 to 2020. Combined revenues are comprised of water sales and land and water leases.

Water Sales

Water sales decreased in 2021 by \$60,964 or 2.19% over the previous year of \$2,780,454. The District experienced a 12.28% increase in water sales from 2019 to 2020.

Interest Earnings

This past year has seen a decrease in the District's earnings from investments in 2021 compared to 2020. In 2021, the District earned \$1,723 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, 2021, 2020, and 2019

Total Expenses

Combined expenses for the 2021 fiscal year totaled \$2,706,689 compared to the prior year of \$2,853,407. This is a decrease of \$146,718 or 5.14%. The District had a 5.10% increase in expenses from 2019 to 2020. 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 \$36,357 in 2021, \$91,136 in 2020 and \$124,922 in 2019 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, 2021, 2020, and 2019 is presented below.

<u>Statement of Net Position</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percentage</u>	<u>2019</u>	<u>Change</u>	<u>Percentage</u>
Assets							
Capital assets	\$ 16,075,914	\$ 16,725,458	\$ (649,544)	-3.88%	\$ 16,419,608	\$ 305,850	1.86%
Current and other assets	<u>3,108,526</u>	<u>2,602,768</u>	<u>505,758</u>	19.43%	<u>2,945,226</u>	<u>(342,458)</u>	-11.63%
Total Assets	<u>19,184,440</u>	<u>19,328,226</u>	<u>(143,786)</u>	-0.74%	<u>19,364,834</u>	<u>(36,608)</u>	-0.19%
Deferred outflows	<u>7,992</u>	<u>15,983</u>	<u>(7,991)</u>	-50.00%	<u>23,974</u>	<u>(7,991)</u>	-33.33%
Liabilities							
Long term liabilities	4,575,417	5,175,349	(599,932)	-11.59%	5,940,652	(765,303)	-12.88%
Other liabilities	<u>675,896</u>	<u>717,626</u>	<u>(41,730)</u>	-5.82%	<u>642,716</u>	<u>74,910</u>	11.66%
Total Liabilities	<u>5,251,313</u>	<u>5,892,975</u>	<u>(641,662)</u>	-10.89%	<u>6,583,368</u>	<u>(690,393)</u>	-10.49%
Net Position							
Invested in capital assets, net of related debt	11,142,646	11,691,374	(548,728)	-4.69%	10,224,590	1,466,784	14.35%
Restricted for debt service	-	-	-	-	744,581	(744,581)	-100.00%
Unrestricted	<u>2,798,473</u>	<u>1,759,860</u>	<u>1,038,613</u>	59.02%	<u>1,836,269</u>	<u>(76,409)</u>	-4.16%
Total Net Position	<u>\$ 13,941,119</u>	<u>\$ 13,451,234</u>	<u>\$ 489,885</u>	3.64%	<u>\$ 12,805,440</u>	<u>\$ 645,794</u>	5.04%

Net Position

The District's net position increased in 2021. The District refinanced their bonds in 2020. The 2020 total assets were \$19,328,266 and \$19,184,440 in 2021 a decrease of \$143,786 or .74%. The District's total net position increased from 2020 to 2021 by \$489,885 or 3.64%.

Management's Discussion and Analysis (Continued)
 St. Charles Mesa Water District
 For the years ended December 31, 2021, 2020, and 2019

Capital Expenditures

During 2021 expenditures for capital projects totaled \$162,694.

Water Purchases

The District acquired 3.0 shares of Bessemer Irrigating Ditch Company stock in 2021, 8.0 shares in 2020 and 21.60 shares in 2019.

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>12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21</u>
Series 2020A Water Enterprise Bonds	\$ 4,015,000	\$ -	\$ 385,000	\$ 3,630,000
Government Agency Bonds	<u>772,626</u>	<u>-</u>	<u>59,619</u>	<u>713,007</u>
TOTAL	<u>\$ 4,787,626</u>	<u>\$ -</u>	<u>\$ 444,619</u>	<u>\$ 4,343,007</u>

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 ground water treatment facility has been completed.
- 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 filling station generated \$47,492 in revenue in 2021. With initial construction costs of \$95,000, the return on investment is 2 - 3 years.
- 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 1245.41 shares for municipal use in 2021. The remaining 853.494 shares will be leased to farms until needed. The District owns a total of 2098.902 shares as of December 2021.

Management's Discussion and Analysis (Continued)

St. Charles Mesa Water District

For the years ended December 31, 2021, 2020, and 2019

Budget Highlights and Future Projects of the District (Continued)

- The District installed 26 new water taps in 2021 providing revenue of \$289,966. The water tap sales in 2021 will carryforward into 2022 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 2022 that will be funded from this account. The capital improvements projects for 2022 include; new pumping equipment in reservoir #2 for algae control; upgraded power transformer at the water treatment facility for future needs; and a water line extension on Consolidation Lane.
- The District's Board and management took into account the last 5 years of water usage and increased the rate by 2% for 2022 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 233 radio read meters in 2021. The District currently has 4,316 service connections and 3,939 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

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,930,435	\$ 1,445,590
Certificates of deposit	702,318	701,960
Receivables	152,663	174,410
Inventories	234,210	187,870
Prepaid expenses	88,900	92,938
	<u>3,108,526</u>	<u>2,602,768</u>
Total Current Assets		
Noncurrent assets		
Capital assets - net of depreciation	16,075,914	16,725,458
	<u>16,075,914</u>	<u>16,725,458</u>
Total Noncurrent Assets		
Total Assets	<u>19,184,440</u>	<u>19,328,226</u>
Deferred Outflows	<u>7,992</u>	<u>15,983</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	60,282	134,111
Compensated absences	24,005	17,060
Capital leases	39,483	37,195
Long-term debt	483,678	462,179
Other current liabilities	68,448	67,081
	<u>675,896</u>	<u>717,626</u>
Total Current Liabilities		
Noncurrent liabilities		
Compensated absences	165,310	178,460
Capital leases	-	39,483
Long-term debt	4,410,107	4,957,406
	<u>4,575,417</u>	<u>5,175,349</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>5,251,313</u>	<u>5,892,975</u>
Net Position		
Invested in capital assets, net of related debt	11,142,646	11,229,195
Restricted	-	-
Unrestricted	2,798,473	2,222,039
	<u>13,941,119</u>	<u>13,451,234</u>
Total Net Position		

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water sales	\$ 2,719,490	\$ 2,780,454
Other operating income	185,395	160,418
Total Operating Revenues	<u>2,904,885</u>	<u>2,940,872</u>
Operating Expenses		
Source of supply	414,562	451,987
Water treatment	793,191	775,813
Transmission and distribution	670,875	587,423
Administrative	733,229	667,693
Total Operating Expenses	<u>2,611,857</u>	<u>2,482,916</u>
Net Operating Income (Loss)	<u>293,028</u>	<u>457,956</u>
Nonoperating Revenues (Expenses)		
Interest and investment income	1,723	6,212
Gain on sale of assets	-	73,537
Interest expense	(86,841)	(186,364)
Bond issue costs	-	(176,136)
Amortization of loss on debt extinguishment	(7,991)	(7,991)
Total Nonoperating Revenues (Expenses)	<u>(93,109)</u>	<u>(290,742)</u>
Income (Loss) Before Capital Contributions	<u>199,919</u>	<u>167,214</u>
Capital Contributions		
System development fees	289,966	380,184
Capital grants	-	98,396
Total Capital Contributions	<u>289,966</u>	<u>478,580</u>
Change in Net Position	489,885	645,794
Total Net Position - Beginning	<u>13,451,234</u>	<u>12,805,440</u>
Total Net Position - Ending	<u>\$ 13,941,119</u>	<u>\$ 13,451,234</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,741,237	\$ 2,766,199
Cash payments to suppliers for goods and services	(1,191,144)	(984,710)
Cash payments to employees for services	(731,372)	(690,723)
Other operating revenue	<u>185,395</u>	<u>160,418</u>
Net Cash Provided by Operating Activities	<u>1,004,116</u>	<u>1,251,184</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(135,660)	(973,116)
Proceeds from capital grants	-	98,396
Proceeds from revenue bonds	-	4,211,119
Principal paid on revenue bond maturities and capital lease obligations	(562,995)	(5,129,251)
Interest paid on revenue bonds and capital lease obligations	(93,814)	(203,958)
System development fees collected	<u>271,833</u>	<u>271,990</u>
Net Cash Used by Capital and Related Financing Activities	<u>(520,636)</u>	<u>(1,724,820)</u>
 Cash Flows From Investing Activities		
Interest income	1,723	697
Cash proceeds from sale of assets	-	73,537
Investments matured	701,960	1,492,559
Investments purchased	<u>(702,318)</u>	<u>(701,960)</u>
Net Cash Provided by Investing Activities	<u>1,365</u>	<u>864,833</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 484,845	 391,197
 Cash and Cash Equivalents - Beginning	 <u>1,445,590</u>	 <u>1,054,393</u>
 Cash and Cash Equivalents - Ending	 <u>\$ 1,930,435</u>	 <u>\$ 1,445,590</u>
 Supplemental Disclosures of Non-Cash Financing and Investing Information		
Financed assets acquired	<u>\$ -</u>	<u>\$ 76,678</u>
System Development Fees - in kind	<u>\$ 19,500</u>	<u>\$ 52,000</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 293,028	\$ 457,956
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	812,239	795,944
Capitalized labor	(7,535)	-
(Increase) decrease in:		
Accounts receivable	21,747	(14,255)
Inventory	(46,340)	(8,938)
Prepaid expense	4,038	(28,236)
Increase (decrease) in:		
Accounts payable and accrued expenses	(66,856)	52,189
Compensated absences	(6,205)	(3,476)
	<u> </u>	<u> </u>
Net Cash Provided by Operation Activities	<u>\$ 1,004,116</u>	<u>\$ 1,251,184</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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 was \$7,991 and \$7,991, respectively. The unamortized amount at December 31, 2021 and 2020 is \$7,992 and \$15,983, 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, 2021 and 2020

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, 2021 and 2020 the amount of accrued sick leave and vacation pay was \$189,315 and \$195,520, respectively. A portion of compensated absences will be shown as a current liability for 2021, \$24,005 will be paid out in 2022 to employees that are retiring from the District. The remaining portion of \$165,310 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 2021 or 2020.

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 2021 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, 2021 and 2020

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, 2021 the District had deposits in excess of \$250,000 in the amount of \$1,882,553. 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, 2021 and 2020

Note C - Cash Deposits and Investments (Continued)

Deposits (Continued)

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

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash on hand	\$ 200	\$ 200	\$ -
Checking	864,901	864,901	-
Money Market	1,065,334	1,065,334	-
<u>Investments</u>			
Certificates of deposit	702,318	702,318	-
Total Deposits	<u>\$ 2,632,753</u>	<u>\$ 2,632,753</u>	<u>\$ -</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government 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, 2021 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>2021</u>	<u>2020</u>
Due from customers for water usage	\$ 142,158	\$ 158,610
Miscellaneous receivables	10,401	15,696
Interest receivable	104	104
Total Receivables	<u>\$ 152,663</u>	<u>\$ 174,410</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Prepaid insurance	\$ 61,594	\$ 66,094
Prepaid water storage	27,306	26,844
Total Receivables	<u>\$ 88,900</u>	<u>\$ 92,938</u>

Note G - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2021.

	<u>Balance at</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/21</u>
Land and land rights	\$ 402,580	\$ -	\$ -	\$ 402,580
Water rights	561,412	-	-	561,412
Mutual irrigating company stock	3,573,209	19,500	-	3,592,709
Source of supply plant	6,682,185	6,313	-	6,688,498
Pumping plant	503,092	-	-	503,092
Water treatment plant	5,901,510	28,879	-	5,930,389
Transmission and distribution system	11,983,296	103,561	-	12,086,857
General plant	444,664	-	-	444,664
Equipment and vehicles	1,099,148	4,441	-	1,103,589
Non-utility property	469,118	-	-	469,118
Totals	<u>\$ 31,620,214</u>	<u>\$ 162,694</u>	<u>\$ -</u>	<u>\$ 31,782,908</u>
Less accumulated depreciation	<u>(14,894,756)</u>			<u>(15,706,994)</u>
Net Capital Assets	<u>\$ 16,725,458</u>			<u>\$ 16,075,914</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$812,239 and \$795,944 respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
 December 31, 2021 and 2020

Note H - Accounts Payable and Accrued Liabilities

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

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 24,294	\$ 90,552
Accrued property taxes	15,726	16,324
Accrued payroll taxes	360	360
Accrued interest	19,902	26,875
Total Accrued Liabilities	<u>\$ 60,282</u>	<u>\$ 134,111</u>

Note I - Property Taxes

The District has not levied a property tax for 2021 or 2020.

Note J - Other Current Liabilities

Other current liabilities consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Customer deposits	\$ 43,996	\$ 43,996
Fire hydrant maintenance	9,186	7,819
Rents - non-utility property	15,266	15,266
	<u>\$ 68,448</u>	<u>\$ 67,081</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, 2021 and 2020, employee contributions totaled \$19,868 and \$23,120, and the District recognized pension expense of \$23,811 and \$32,083, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2021 and 2020

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. The District received \$3,223 and \$0 in forfeitures for the years ended December 31, 2021 and 2020, respectively.

There was no outstanding liability for pension contributions as of December 31, 2021 and 2020.

Note L - Line of Credit

The District has a line of credit with Sunflower Bank that is annually renewable and will mature June 3, 2022. 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, 2021.

Note M - Capital Leases

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 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2021</u>	<u>Current Portion</u>
Ford Motor Credit	\$ 76,678	\$ -	\$ 37,195	\$ 39,483	\$ 39,483

Future years repayment schedule:

	Principal	Interest	Total
2022	\$ 39,483	\$ 2,428	\$ 41,911

The assets acquired through capital leases total \$118,589 less accumulated depreciation of \$26,703.

Note N - Long-Term Debt

The following is a summary of long term debt transactions of the District for the year ended December 31, 2021:

	<u>December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2021</u>	<u>Current Portion</u>
Series 2020A water enterprise bonds	\$ 4,015,000	\$ -	\$ 385,000	\$ 3,630,000	\$ 405,000
Government Agency Bonds	596,616	-	34,475	562,141	35,168
Govt. Agency Bonds					
CWR and PDA	176,010	-	25,144	150,866	25,144
Joseph Co.	151,104	-	17,560	133,544	18,366
Unamortized premiums	480,855	-	63,621	417,234	-
Total	<u>\$ 5,419,585</u>	<u>\$ -</u>	<u>\$ 525,800</u>	<u>\$ 4,893,785</u>	<u>\$ 483,678</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
 December 31, 2021 and 2020

Note N - Long-Term Debt (Continued)

Long-term debt at December 31, 2021 follows:

1. 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 2021 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>
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	460,000	57,600	517,600
2027 - 2031	1,460,000	883,550	2,343,550
	\$ 3,630,000	\$ 1,302,050	\$ 4,932,050

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>
2022	\$ 35,168	\$ 11,068	\$ 46,236
2023	35,874	10,361	46,235
2024	36,596	9,640	46,236
2025	37,331	8,904	46,235
2026	38,082	8,154	46,236
2027 - 2031	202,201	28,976	231,177
2032 - 2035	176,889	8,052	184,941
	\$ 562,141	\$ 85,155	\$ 647,296

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2021 and 2020

Note N - Long-Term Debt (Continued)

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 if 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>
2022	\$ 25,144
2023	25,144
2024	25,144
2025	25,144
2026	25,144
2027	25,146
	<u>\$ 150,866</u>

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>
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	21,981	2,019	24,000
2027 - 2028	32,879	1,121	34,000
	<u>\$ 133,544</u>	<u>\$ 20,456</u>	<u>\$ 154,000</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.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2021 and 2020

Note O - Net Position (Continued)

Restricted net position has a third-party (statutory, bond covenant or water user) limitation on their use. The District had bond covenants which required 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, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues				
Water revenues	\$ 2,535,000	\$ 2,535,000	\$ 2,719,490	\$ 184,490
Interest income	1,000	1,000	1,723	723
Other income	<u>114,722</u>	<u>114,722</u>	<u>185,395</u>	<u>70,673</u>
Total Operating Revenues	<u>2,650,722</u>	<u>2,650,722</u>	<u>2,906,608</u>	<u>255,886</u>
Nonoperating Revenues				
Capital contributions	<u>75,000</u>	<u>75,000</u>	<u>289,966</u>	<u>214,966</u>
Total Nonoperating Revenues	<u>75,000</u>	<u>75,000</u>	<u>289,966</u>	<u>214,966</u>
Total Revenues	<u>2,725,722</u>	<u>2,725,722</u>	<u>3,196,574</u>	<u>470,852</u>
Operating Expenses				
Source of Supply				
Salaries and employee benefits	92,437	92,437	39,993	52,444
Repairs and maintenance	48,000	48,000	38,772	9,228
Water assessments	218,500	218,500	187,724	30,776
Supplies and other expenses	<u>7,000</u>	<u>7,000</u>	<u>3,530</u>	<u>3,470</u>
Total Source of Supply	<u>365,937</u>	<u>365,937</u>	<u>270,019</u>	<u>95,918</u>
Water Treatment Expense				
Salaries and employee benefits	194,366	194,366	194,682	(316)
Repairs and maintenance	53,500	53,500	40,540	12,960
Chemicals	125,000	125,000	107,196	17,804
Power purchased for pumping	235,500	235,500	174,209	61,291
Supplies and other expenses	<u>27,668</u>	<u>27,668</u>	<u>46,413</u>	<u>(18,745)</u>
Total Water Treatment Expense	<u>636,034</u>	<u>636,034</u>	<u>563,040</u>	<u>72,994</u>
Transmission and Distribution Expense				
Salaries and employee benefits	187,474	187,474	196,683	(9,209)
Repairs and maintenance	79,000	79,000	102,332	(23,332)
Supplies and other expenses	<u>15,700</u>	<u>15,700</u>	<u>10,617</u>	<u>5,083</u>
Total Transmission and Distribution Expense	<u>282,174</u>	<u>282,174</u>	<u>309,632</u>	<u>(27,458)</u>
Administrative and General Expenses				
Salaries and employee benefits	325,945	325,945	293,809	32,136
Utilities and miscellaneous	20,300	20,300	20,171	129
Insurance	80,500	80,500	66,715	13,785
Office supplies and expenses	80,000	80,000	30,928	49,072
Professional services	249,200	249,200	181,457	67,743
Building repairs and maintenance	137,500	137,500	32,388	105,112
Directors, elections and other	21,200	21,200	8,600	12,600
Travel	7,000	7,000	2,576	4,424
Dues and subscriptions	25,000	25,000	27,818	(2,818)
Contingencies	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Total Administrative and General Expenses	<u>1,031,645</u>	<u>1,031,645</u>	<u>664,462</u>	<u>367,183</u>
Total Operating Expenses	<u>2,315,790</u>	<u>2,315,790</u>	<u>1,807,153</u>	<u>508,637</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, 2021

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Nonoperating Expenditures				
Interest expense	\$ 134,168	\$ 134,168	\$ 150,462	\$ (16,294)
Principal paid on debt	385,000	385,000	474,230	(89,230)
Capital outlay	<u>945,991</u>	<u>945,991</u>	<u>155,160</u>	<u>790,831</u>
Total Nonoperating Expenditures	<u>1,465,159</u>	<u>1,465,159</u>	<u>779,852</u>	<u>685,307</u>
Total Expenditures	<u>3,780,949</u>	<u>3,780,949</u>	<u>2,587,005</u>	<u>1,193,944</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(1,055,227)	(1,055,227)	609,569	1,664,796
Funds Available - Beginning of Year	<u>1,556,050</u>	<u>1,556,050</u>	<u>3,538,548</u>	<u>1,982,498</u>
Funds Available - End of Year	<u>\$ 500,823</u>	<u>\$ 500,823</u>	<u>\$ 4,148,117</u>	<u>\$ 3,647,294</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, 2021

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 3,196,574
Less:	
Debt proceeds	-
Capital grants	-
System development fees	<u>(289,966)</u>
Revenue (GAAP Basis)	<u>2,906,608</u>
Expenses (Budgetary Basis)	2,587,005
Plus:	
Amortization	7,991
Bond issue costs	-
Depreciation	812,239
Less:	
Capital outlay	(155,160)
Labor costs capitalized	(7,535)
Principal payments	(474,230)
Amortization of bond premium	<u>(63,621)</u>
Expenses (GAAP Basis)	<u>2,706,689</u>
 Income (Loss) Before Capital Contribution	 <u>\$ 199,919</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Source of Supply		
Salaries and employee benefits	\$ 38,383	\$ 82,018
Repairs and maintenance	38,772	35,325
Water assessments	187,724	185,297
Supplies and other expenses	3,530	6,219
Depreciation	<u>146,153</u>	<u>143,128</u>
Total Source of Supply	<u>414,562</u>	<u>451,987</u>
Water Treatment Expense		
Salaries and employee benefits	194,682	193,775
Repairs and maintenance	40,540	42,968
Chemicals	107,196	112,931
Power purchased for pumping	174,209	171,054
Supplies and other expenses	46,413	22,611
Depreciation	<u>230,151</u>	<u>232,474</u>
Total Water Treatment Expense	<u>793,191</u>	<u>775,813</u>
Transmission and Distribution Expense		
Salaries and employee benefits	190,758	159,166
Repairs and maintenance	102,332	59,193
Supplies and other expenses	10,617	11,963
Depreciation	<u>367,168</u>	<u>357,101</u>
Total Transmission and Distribution Expense	<u>670,875</u>	<u>587,423</u>
Total Water Operating Expenses	<u>\$ 1,878,628</u>	<u>\$ 1,815,223</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Depreciation	\$ 68,767	\$ 63,241
Directors' fees and meeting expenses	8,600	12,993
Dues and subscriptions	27,818	25,486
Election costs	-	6,260
Insurance	66,715	40,982
Office supplies and expenses	30,928	34,913
Professional fees	181,457	178,507
Repairs and maintenance	32,388	36,810
Salaries and employee benefits	293,809	252,288
Travel	2,576	351
Utilities	<u>20,171</u>	<u>15,862</u>
Total Administrative and General Expenses	<u>\$ 733,229</u>	<u>\$ 667,693</u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Gross operating revenue	\$ 2,904,885	\$ 2,940,872
Investment income	1,723	6,212
Gain on sale of assets	-	73,537
System development fees	<u>289,966</u>	<u>380,184</u>
Total Revenue (Excluding Capital Grants)	<u>3,196,574</u>	<u>3,400,805</u>
Total operating expenses	2,611,857	2,482,916
Less depreciation expense	<u>(812,239)</u>	<u>(795,944)</u>
Adjusted Operating Expenses	<u>1,799,618</u>	<u>1,686,972</u>
Net Revenue	<u>\$ 1,396,956</u>	<u>\$ 1,713,833</u>
Debt service expenditures required:		
Series 2020 A water enterprise bonds	\$ 385,000	\$ -
Series 2012 A water enterprise bonds	-	195,000
Series 2012 B water enterprise bonds	-	145,000
Government agency bonds	59,619	58,940
Joseph Co.	<u>17,560</u>	<u>16,788</u>
Total Debt Service Expenditures	<u>462,179</u>	<u>415,728</u>
Required ratio	110%	110%
Net Revenue Required	<u>508,397</u>	<u>457,301</u>
Excess (Deficit)	<u>\$ 888,559</u>	<u>\$ 1,256,532</u>

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