

AUDITED FINANCIAL STATEMENTS
SAINT CHARLES MESA WATER DISTRICT
PUEBLO, COLORADO
December 31, 2023 and 2022

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Independent Auditor's Report

March 13, 2024

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, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023 and 2022, 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. 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 from 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Harvey Ross, DeNardo, Inc.

Management's Discussion and Analysis

Management's Discussion and Analysis

St. Charles Mesa Water District

For the years ended December 31, 2023, 2022, and 2021

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, 2023. 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 4,371 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 - 19 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, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Percentage</u>	<u>2021</u>	<u>Change</u>	<u>Percentage</u>
Program Revenues							
Water Sales	\$ 2,854,831	\$ 2,803,749	\$ 51,082	1.82%	\$ 2,719,490	\$ 84,259	3.10%
Other operating revenue	158,769	140,720	18,049	12.83%	185,395	(44,675)	-24.10%
General and Other Revenues							
Investment income	12,435	6,817	5,618	82.41%	1,723	5,094	295.65%
Gain on sale of assets	-	-	-	-	-	-	-
Total Revenues	<u>3,026,035</u>	<u>2,951,286</u>	<u>74,749</u>	2.53%	<u>2,906,608</u>	<u>44,678</u>	1.54%
Program Expenses							
Source of supply	419,332	421,446	(2,114)	-0.50%	414,562	6,884	1.66%
Water treatment	968,112	891,086	77,026	8.64%	793,191	97,895	12.34%
Transmission & distr.	620,988	601,116	19,872	3.31%	670,875	(69,759)	-10.40%
Administrative	730,186	654,554	75,632	11.55%	733,229	(78,675)	-10.73%
Interest expense	46,505	62,016	(15,511)	-25.01%	86,841	(24,825)	-28.59%
Bond issue costs	-	-	-	-	-	-	-
Amortization of loss on debt extinguishment	-	7,991	(7,991)	-100.00%	7,991	-	-
Total Expenses	<u>2,785,123</u>	<u>2,638,209</u>	<u>146,914</u>	5.57%	<u>2,706,689</u>	<u>(68,480)</u>	-2.53%
Income (loss) before contributions	240,912	313,077	(72,165)	-23.05%	199,919	113,158	56.60%
Contributions							
Capital Grants	-	-	-	-	-	-	-
System development fees	107,164	285,926	(178,762)	-62.52%	289,966	(4,040)	-1.39%
Change in Net Position	<u>\$ 348,076</u>	<u>\$ 599,003</u>	<u>\$ (250,927)</u>	-41.89%	<u>\$ 489,885</u>	<u>\$ 109,118</u>	22.27%

Total Revenues

The combined revenue for the 2023 fiscal year totaled \$3,026,035 compared to the prior year of \$2,951,286. This is an increase of \$74,749 or 2.53%. The District experienced a 1.54% increase from 2021 to 2022. Combined revenues are comprised of water sales and land and water leases.

Water Sales

Water sales increased in 2023 by \$51,082 or 1.82% over the previous year. The District experienced a 3.10% increase in water sales from 2021 to 2022.

Investment Earnings

This past year has seen an increase in the District's earnings from investments in 2023 compared to 2022. In 2023, the District earned \$12,435 compared to 2022 earnings of \$6,817. The increase is due to one of the District's certificates of deposit having a better interest rate for one year.

Management's Discussion and Analysis (Continued)

St. Charles Mesa Water District

For the years ended December 31, 2023, 2022, and 2021

Total Expenses

Combined expenses for the 2023 fiscal year totaled \$2,785,123 compared to the prior year of \$2,638,209. This is an increase of \$146,914 or 5.57%. The District had a 2.53% decrease in expenses from 2021 to 2022. 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 \$41,557 in 2023, \$45,300 in 2022 and \$36,357 in 2021 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, 2023, 2022, and 2021 is presented below.

<u>Statement of Net Position</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Percentage</u>	<u>2021</u>	<u>Change</u>	<u>Percentage</u>
Assets							
Capital assets	\$ 15,094,892	\$ 15,623,026	\$ (528,134)	-3.38%	\$ 16,075,914	\$ (452,888)	-2.82%
Current and other assets	<u>3,930,299</u>	<u>3,756,550</u>	<u>173,749</u>	4.63%	<u>3,371,905</u>	<u>384,645</u>	11.41%
Total Assets	<u>19,025,191</u>	<u>19,379,576</u>	<u>(354,385)</u>	-1.83%	<u>19,447,819</u>	<u>(68,243)</u>	-0.35%
Deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	-	<u>7,992</u>	<u>(7,992)</u>	-100.00%
Liabilities							
Long term liabilities	3,440,889	4,019,915	(579,026)	-14.40%	4,575,417	(555,502)	-12.14%
Other liabilities	<u>590,792</u>	<u>626,453</u>	<u>(35,661)</u>	-5.69%	<u>660,631</u>	<u>(34,178)</u>	-5.17%
Total Liabilities	<u>4,031,681</u>	<u>4,646,368</u>	<u>(614,687)</u>	-13.23%	<u>5,236,048</u>	<u>(589,680)</u>	-11.26%
Deferred inflows - Leases	<u>90,047</u>	<u>177,821</u>	<u>87,774</u>	49.36%	<u>263,379</u>	<u>(85,558)</u>	-32.48%
Net Position							
Invested in capital assets, net of related debt	11,304,765	11,276,538	28,227	0.25%	11,142,646	133,892	1.20%
Restricted for debt service	<u>-</u>	<u>-</u>	<u>-</u>	-	<u>-</u>	<u>-</u>	-
Unrestricted	<u>3,598,698</u>	<u>3,278,849</u>	<u>319,849</u>	9.75%	<u>2,813,738</u>	<u>465,111</u>	16.53%
Total Net Position	<u>\$ 14,903,463</u>	<u>\$ 14,555,387</u>	<u>\$ 348,076</u>	2.39%	<u>\$ 13,956,384</u>	<u>\$ 599,003</u>	4.29%

Net Position

The District's net position increased in 2023. The District refinanced their bonds in 2020. The 2022 total assets were \$19,379,576 and \$19,025,191 in 2023 a decrease of \$354,385 or 1.83%. The District's total net position increased from 2022 to 2023 by \$348,076 or 2.39%.

Management's Discussion and Analysis (Continued)
 St. Charles Mesa Water District
 For the years ended December 31, 2023, 2022, and 2021

Capital Expenditures

During 2023 expenditures for capital projects totaled \$230,279.

Water Purchases

The District acquired 4 shares of Bessemer Irrigating Ditch Company stock in 2023, 5 shares in 2022 and 3 shares in 2021.

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>12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/23</u>
Series 2020A Water Enterprise Bonds	\$ 3,225,000	\$ -	\$ 420,000	\$ 2,805,000
Government Agency Bonds	652,695	-	61,019	591,676
TOTAL	\$ 3,877,695	\$ -	\$ 481,019	\$ 3,396,676

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 \$67,684 in revenue in 2022. With initial construction costs of \$95,000, the return is less than 2 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 2107.902 shares as of December 2023.

Management's Discussion and Analysis (Continued)

St. Charles Mesa Water District

For the years ended December 31, 2023, 2022, and 2021

Budget Highlights and Future Projects of the District (Continued)

- The District installed 6 new water taps in 2023 providing revenue of \$81,164. The capital improvements projects completed in 2023 include a 4-inch water main extension on Consolidation Lane, completion of the radio read meter system installation, and a major service to the variable frequency drives at the water treatment facility.
- The District's Board and management took into account the last 5 years of water usage and increased the rate by 2% for 2023 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 mapping and converting into our Arc View GIS system. Hydraulic modeling has been added to the system. Mapping is an integral part of keeping accurate records and information for the distribution system.
- The District installed 190 radio read meters in 2023. The District currently has 4,371 service connections and has completed the meter change out with all 4,371 services having radio read meters installed. This has reduced the time spent reading meters and provides more accurate 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 website was updated and upgraded in 2023 to meet the State requirements for ADA compliance. 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash - unrestricted	\$ 2,686,847	\$ 2,448,691
Investments	710,119	702,395
Receivables	235,618	314,230
Inventories	190,856	193,939
Prepaid expenses	106,859	97,295
Capital assets		
Non-depreciable	4,615,201	4,589,201
Depreciable - net	<u>10,479,691</u>	<u>11,033,825</u>
Total Assets	<u>19,025,191</u>	<u>19,379,576</u>
 Liabilities		
Accounts payable and accrued expenses	52,396	88,984
Other current liabilities	13,236	13,236
Long-term obligations		
Due within one year	525,160	524,233
Due in more than one year	<u>3,440,889</u>	<u>4,019,915</u>
Total Liabilities	<u>4,031,681</u>	<u>4,646,368</u>
 Deferred Inflows		
Related to leases	<u>90,047</u>	<u>177,821</u>
 Net Position		
Invested in capital assets, net of related debt	11,304,765	11,276,539
Restricted	-	-
Unrestricted	<u>3,598,698</u>	<u>3,278,848</u>
Total Net Position	<u>\$ 14,903,463</u>	<u>\$ 14,555,387</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SAINT CHARLES MESA WATER DISTRICT

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Water sales	\$ 2,854,831	\$ 2,803,749
Other operating income	<u>158,769</u>	<u>140,720</u>
Total Operating Revenues	<u>3,013,600</u>	<u>2,944,469</u>
Operating Expenses		
Source of supply	419,332	421,446
Water treatment	968,112	891,086
Transmission and distribution	620,988	601,116
Administrative	<u>730,186</u>	<u>654,554</u>
Total Operating Expenses	<u>2,738,618</u>	<u>2,568,202</u>
Net Operating Income (Loss)	<u>274,982</u>	<u>376,267</u>
Nonoperating Revenues (Expenses)		
Interest and investment income	12,435	6,817
Interest expense	(46,505)	(62,015)
Amortization of loss on debt extinguishment	<u>-</u>	<u>(7,992)</u>
Total Nonoperating Revenues (Expenses)	<u>(34,070)</u>	<u>(63,190)</u>
Income (Loss) Before Capital Contributions	<u>240,912</u>	<u>313,077</u>
Capital Contributions		
System development fees	<u>107,164</u>	<u>285,926</u>
Change in Net Position	348,076	599,003
Total Net Position - Beginning	<u>14,555,387</u>	<u>13,956,384</u>
Total Net Position - Ending	<u>\$ 14,903,463</u>	<u>\$ 14,555,387</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,845,669	\$ 2,820,003
Cash payments to suppliers for goods and services	(1,270,438)	(1,185,709)
Cash payments to employees for services	(779,163)	(526,284)
Other operating revenue	<u>158,769</u>	<u>140,720</u>
Net Cash Provided by Operating Activities	<u>954,837</u>	<u>1,248,730</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(197,566)	(294,923)
Principal paid on revenue bond maturities and capital lease obligations	(556,359)	(586,782)
Interest paid on revenue bonds and capital lease obligations	(48,631)	(68,988)
System development fees collected	<u>81,164</u>	<u>213,479</u>
Net Cash Used by Capital and Related Financing Activities	<u>(721,392)</u>	<u>(737,214)</u>
 Cash Flows From Investing Activities		
Interest income	12,435	6,817
Investments matured	702,395	702,318
Investments purchased	<u>(710,119)</u>	<u>(702,395)</u>
Net Cash Provided by Investing Activities	<u>4,711</u>	<u>6,740</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 238,156	 518,256
 Cash and Cash Equivalents - Beginning	 <u>2,448,691</u>	 <u>1,930,435</u>
 Cash and Cash Equivalents - Ending	 <u>\$ 2,686,847</u>	 <u>\$ 2,448,691</u>
 Supplemental Disclosures of Non-Cash Financing and Investing Information		
System Development Fees - in kind	<u>\$ 26,000</u>	<u>\$ 32,500</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 274,982	\$ 376,267
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	765,904	784,884
Capitalized labor	(14,204)	(4,572)
(Increase) decrease in:		
Accounts receivable	(9,162)	16,254
Inventory	3,083	40,271
Prepaid expense	(9,564)	(8,396)
Increase (decrease) in:		
Accounts payable and accrued expenses	(34,462)	35,675
Compensated absences	(21,740)	8,347
	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	<u>\$ 954,837</u>	<u>\$ 1,248,730</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, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

Form of Organization

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 financial statements of the District have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District's significant policies are described below.

Reporting Entity

As defined by GAAP as established by GASB, the financial reporting entity consists of the primary government, as well as any component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as existing if the governing board of the of the primary government appoints a majority of the component unit's board, and either has the ability to impose its will or the component unit will provide a financial benefit or burden on the primary government or this is fiscal dependency on the primary government. Based on that criteria, no other organizations would be considered component units of the District.

The District is a special-purpose government engaged in only business-type activities. As such, enterprise fund financial statements for the water services is provides are presented

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.

Enterprise 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 enterprise 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 enterprise funds.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

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, deferred outflows or resources, liabilities, deferred inflows of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Investments

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased or subject to withdrawal, are considered to be cash and cash equivalents.

The District's policy is to state investments at their fair value and categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

All investment income, including changes in the fair value of investments are reported as investment income in the District's financial statements.

Cash and investments are subject to Colorado State statutes as described in Note 3.

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.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Assets purchased or constructed are valued at historical cost. Donated capital assets are valued at their estimated fair value at the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend the asset's life are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the estimated service life of the asset. Land, wells, reservoirs, water rights, and mutual irrigating ditch company stock are stated at cost and are not depreciated. All other components

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Accounting Principles - Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31, 2023.

Property taxes

The District has not levied a property tax for 2023 or 2022.

Deferred Outflows - Deferred Inflows

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net assets by the District that is applicable to future reporting periods. Both deferred inflow and deferred outflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

The District reports deferred outflows for a loss on debt refunding that the District incurred in 2012. The loss of \$85,905 will be amortized over the life of the issue. Amortization expense for the years ending December 31, 2023 and 2022 was \$0 and \$7,992, respectively. The debt refunding was fully amortized at December 31, 2022.

Deferred inflows related to leases have been recorded as of December 31, 2023, which is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that related to future periods.

Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

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.

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, 2023 and 2022 the amount of accrued sick leave and vacation pay was \$175,922 and \$197,662, respectively. A portion of compensated absences will be shown as a current liability for 2023, \$6,958 will be paid out in 2024 to employees that are retiring from the District. The remaining portion of \$168,964 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.

Debt 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 2 - 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:

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 2 - Stewardship, Compliance and Accountability

Budgets and Budgetary Data (Continued)

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.

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 2023 or 2022.

Risks and Uncertainties

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Note 3 - 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 3 - Cash Deposits and Investments (Continued)

Deposits (Continued)

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, 2023 the District had deposits in excess of \$250,000 in the amount of \$2,646,766. 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.

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	1,337,066	1,337,066	-
Money Market	1,349,581	1,349,581	-
<u>Investments</u>			
Certificates of deposit	710,119	710,119	-
Total Deposits	<u>\$ 3,396,966</u>	<u>\$ 3,396,966</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, 2023 the District's investments in the money market accounts are rated AAA by Moody and S&P.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 4 - Receivables

Receivables consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Due from customers for water usage	\$ 128,758	\$ 123,462
Miscellaneous receivables	16,709	12,843
Lease receivable	90,047	177,821
Interest receivable	104	104
Total Receivables	<u><u>\$ 235,618</u></u>	<u><u>\$ 314,230</u></u>

Note 5 - Prepaid Expenses

Prepaid expenses consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Prepaid insurance	\$ 76,943	\$ 69,521
Prepaid water storage	29,916	27,774
Total Receivables	<u><u>\$ 106,859</u></u>	<u><u>\$ 97,295</u></u>

Note 6 - Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2023.

	<u>Balance at</u> <u>12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/23</u>
Land and land rights	\$ 402,580	\$ -	\$ -	\$ 402,580
Water rights	561,412	-	-	561,412
Mutual irrigating company stock	3,625,209	26,000	-	3,651,209
Non depreciable assets	<u>4,589,201</u>	<u>26,000</u>	<u>-</u>	<u>4,615,201</u>
Source of supply plant	6,688,498	14,276	-	6,702,774
Pumping plant	547,416	22,217	-	569,633
Water treatment plant	5,973,211	51,148	-	6,024,359
Transmission and distribution system	12,230,315	108,358	-	12,338,673
General plant	453,687	-	-	453,687
Equipment and vehicles	1,103,589	8,280	-	1,111,869
Non-utility property	528,987	-	-	528,987
Right to use leased asset	-	7,491	-	7,491
Depreciable assets	<u>27,525,703</u>	<u>211,770</u>	<u>-</u>	<u>27,737,473</u>
Totals	<u><u>\$ 32,114,904</u></u>	<u><u>\$ 237,770</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,352,674</u></u>
Less accumulated depreciation	<u>(16,491,878)</u>			<u>(17,257,782)</u>
Net Capital Assets	<u><u>\$ 15,623,026</u></u>			<u><u>\$ 15,094,892</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 6 - Capital Assets (Continued)

The following is a summary of the changes in capital assets for the year ended December 31, 2022.

	Balance at 12/31/21	Additions	Deletions	Balance at 12/31/22
Land and land rights	\$ 402,580	\$ -	\$ -	\$ 402,580
Water rights	561,412	-	-	561,412
Mutual irrigating company stock	3,592,709	32,500	-	3,625,209
Non depreciable assets	<u>4,556,701</u>	<u>32,500</u>	<u>-</u>	<u>4,589,201</u>
Source of supply plant	6,688,498	-	-	6,688,498
Pumping plant	503,092	44,324	-	547,416
Water treatment plant	5,930,389	42,822	-	5,973,211
Transmission and distribution system	12,086,857	143,458	-	12,230,315
General plant	444,664	9,023	-	453,687
Equipment and vehicles	1,103,589	-	-	1,103,589
Non-utility property	469,118	59,869	-	528,987
Depreciable assets	<u>27,226,207</u>	<u>299,496</u>	<u>-</u>	<u>27,525,703</u>
Totals	<u>\$ 31,782,908</u>	<u>\$ 331,996</u>	<u>\$ -</u>	<u>\$ 32,114,904</u>
Less accumulated depreciation	<u>(15,706,994)</u>			<u>(16,491,878)</u>
Net Capital Assets	<u>\$ 16,075,914</u>			<u>\$ 15,623,026</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$765,904 and \$784,884, respectively.

Note 7 - Accounts Payable and Accrued Liabilities

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

	2023	2022
Accounts payable	\$ 22,837	\$ 57,205
Accrued property taxes	14,363	14,363
Accrued payroll taxes	163	257
Accrued interest	15,033	17,159
Total Accrued Liabilities	<u>\$ 52,396</u>	<u>\$ 88,984</u>

Note 8 - Other Current liabilities

Other current liabilities consisted of the following at December 31:

	2023	2022
Customer deposits	\$ 4,050	\$ 4,050
Fire hydrant maintenance	9,186	9,186
Total Other Current Liabilities	<u>\$ 13,236</u>	<u>\$ 13,236</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.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 8 - Other Current liabilities (Continued)

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.

Note 9 - 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, 2023 and 2022, employee contributions totaled \$30,904 and \$22,187, and the District recognized pension expense of \$33,181 and \$28,068, respectively.

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 no forfeitures for the years ended December 31, 2023 and 2022.

There was no outstanding liability for pension contributions as of December 31, 2023 and 2022.

Note 10 - Long Term Obligations

The following is a summary of long term debt transactions for the District for the year ended December 31, 2023.

	<u>December</u>			<u>December</u>	<u>Current</u>
	<u>31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>31, 2023</u>	<u>Portion</u>
Series 2020A water enterprise bonds	\$ 3,225,000	\$ -	\$ 420,000	\$ 2,805,000	\$ 435,000
Government Agency Bonds	526,973	-	35,874	491,099	36,596
Govt. Agency Bonds CWR and PDA	125,722	-	25,145	100,577	25,144
Joseph Co.	115,178	-	19,210	95,968	20,092
Leases	-	7,491	-	7,491	1,370
Compensated absences	197,662	2,930	24,670	175,922	6,958
Unamortized premiums	353,613	-	63,621	289,992	-
Total	<u>\$ 4,544,148</u>	<u>\$ 10,421</u>	<u>\$ 588,520</u>	<u>\$ 3,966,049</u>	<u>\$ 525,160</u>

Series 2020A Water Enterprise Bonds

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 2020A Bonds.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 10 - Long Term Obligations (Continued)

Series 2020A Water Enterprise Bonds(Continued)

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>
2024	\$ 435,000	\$ 84,150	\$ 519,150
2025	450,000	71,100	521,100
2026	460,000	57,600	517,600
2027	475,000	43,800	518,800
2028	485,000	29,550	514,550
2029 - 2031	500,000	15,000	515,000
	<u>\$ 2,805,000</u>	<u>\$ 301,200</u>	<u>\$ 3,106,200</u>

Government Agency Bonds

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>
2024	\$ 36,596	\$ 9,640	\$ 46,236
2025	37,331	8,904	46,235
2026	38,081	8,154	46,235
2027	38,847	7,389	46,236
2028	39,628	6,608	46,236
2029 - 2033	210,412	20,766	231,178
2034 - 2035	90,204	2,266	92,470
	<u>\$ 491,099</u>	<u>\$ 63,727</u>	<u>\$ 554,826</u>

Government Agency Bonds - CWR and PDA

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 10 - Long-Term Obligations (Continued)

Government Agency Bonds - CWR and PDA (Continued)

Future years repayment schedule:

	<u>Principal</u>
2024	\$ 25,144
2025	25,144
2026	25,144
2027	25,145
	<u>\$ 100,577</u>

Joseph Co.

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>
2024	\$ 20,092	\$ 3,908	\$ 24,000
2025	21,016	2,984	24,000
2026	21,981	2,019	24,000
2027	22,991	1,009	24,000
2028	9,888	112	10,000
	<u>\$ 95,968</u>	<u>\$ 10,032</u>	<u>\$ 106,000</u>

Leases

The District has entered into a lease agreement for the use of a Pitney Bowes postage machine. The lease term is for five years and include interest at the rate of 4.41%.

Future years repayment schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,370	\$ 308	\$ 1,678
2025	1,431	247	1,678
2026	1,495	183	1,678
2027	1,562	116	1,678
2028	1,633	43	1,676
	<u>\$ 7,491</u>	<u>\$ 897</u>	<u>\$ 8,388</u>

Note 11 - Line of Credit

The District has a line of credit with Sunflower Bank that is annually renewable and will mature June 3, 2024. The maximum loan amount is \$200,000, and interest is due on the outstanding principal at a variable interest rate based on Wall Street Journal Prime Rate. There was no borrowing on the credit line and no balance outstanding at December 31, 2023.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2023 and 2022

Note 12 - 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 is the portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bond holders), constitutional provisions or enabling legislation.

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

Other Supplementary Information

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGETARY BASIS - BUDGET AND ACTUAL
SAINT CHARLES MESA WATER DISTRICT
For the year ended December 31, 2023

	Original Budget	Final Budget	2023 Actual	Variance Favorable (Unfavorable)
Operating Revenues				
Water revenues	\$ 2,715,780	\$ 2,715,780	\$ 2,854,831	\$ 139,051
Interest income	1,000	1,000	12,435	11,435
Other income	116,890	116,890	158,769	41,879
Total Operating Revenues	<u>2,833,670</u>	<u>2,833,670</u>	<u>3,026,035</u>	<u>192,365</u>
Nonoperating Revenues				
Capital contributions	70,000	70,000	107,164	37,164
Total Nonoperating Revenues	<u>70,000</u>	<u>70,000</u>	<u>107,164</u>	<u>37,164</u>
Total Revenues	<u>2,903,670</u>	<u>2,903,670</u>	<u>3,133,199</u>	<u>229,529</u>
Operating Expenses				
Source of Supply				
Salaries and employee benefits	67,590	67,590	43,775	23,815
Repairs and maintenance	48,000	48,000	39,308	8,692
Water assessments	219,000	219,000	190,066	28,934
Supplies and other expenses	7,000	7,000	4,483	2,517
Total Source of Supply	<u>341,590</u>	<u>341,590</u>	<u>277,632</u>	<u>63,958</u>
Water Treatment Expense				
Salaries and employee benefits	245,350	245,350	251,346	(5,996)
Repairs and maintenance	28,000	28,000	62,146	(34,146)
Chemicals	130,000	130,000	214,356	(84,356)
Power purchased for pumping	235,500	235,500	212,210	23,290
Supplies and other expenses	83,868	83,868	41,085	42,783
Total Water Treatment Expense	<u>722,718</u>	<u>722,718</u>	<u>781,143</u>	<u>(58,425)</u>
Transmission and Distribution Expense				
Salaries and employee benefits	219,800	219,800	186,679	33,121
Repairs and maintenance	117,000	117,000	55,062	61,938
Supplies and other expenses	16,200	16,200	14,221	1,979
Total Transmission and Distribution Expense	<u>353,000</u>	<u>353,000</u>	<u>255,962</u>	<u>97,038</u>
Administrative and General Expenses				
Salaries and employee benefits	281,460	281,460	275,622	5,838
Utilities and miscellaneous	23,400	23,400	21,276	2,124
Insurance	89,500	89,500	73,411	16,089
Office supplies and expenses	85,500	85,500	24,061	61,439
Professional services	257,000	257,000	186,698	70,302
Building repairs and maintenance	137,500	137,500	27,272	110,228
Directors, elections and other	28,200	28,200	14,803	13,397
Travel	7,000	7,000	5,109	1,891
Dues and subscriptions	30,000	30,000	43,928	(13,928)
Contingencies	85,000	85,000	-	85,000
Total Administrative and General Expenses	<u>1,024,560</u>	<u>1,024,560</u>	<u>672,180</u>	<u>352,380</u>
Total Operating Expenses	<u>2,441,868</u>	<u>2,441,868</u>	<u>1,986,917</u>	<u>454,951</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2023 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Nonoperating Expenditures				
Interest expense	\$ 134,168	\$ 134,168	\$ 110,126	\$ 24,042
Principal paid on debt	385,000	385,000	500,229	(115,229)
Capital outlay	<u>884,000</u>	<u>884,000</u>	<u>190,076</u>	<u>693,924</u>
Total Nonoperating Expenditures	<u>1,403,168</u>	<u>1,403,168</u>	<u>800,431</u>	<u>602,737</u>
Total Expenditures	<u>3,845,036</u>	<u>3,845,036</u>	<u>2,787,348</u>	<u>2,589,654</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(941,366)	(941,366)	345,851	1,287,217
Funds Available - Beginning of Year	<u>1,014,203</u>	<u>1,014,203</u>	<u>4,621,216</u>	<u>3,607,013</u>
Funds Available - End of Year	<u>\$ 72,837</u>	<u>\$ 72,837</u>	<u>\$ 4,967,067</u>	<u>\$ 4,894,230</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, 2023

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 3,133,199
Less:	
System development fees	<u>(107,164)</u>
Revenue (GAAP Basis)	<u>3,026,035</u>
Expenses (Budgetary Basis)	2,787,348
Plus:	
Amortization	250
Depreciation	765,654
Less:	
Capital outlay	(190,076)
Labor costs capitalized	(14,203)
Principal payments	(500,229)
Amortization of bond premium	<u>(63,621)</u>
Expenses (GAAP Basis)	<u>2,785,123</u>
 Income (Loss) Before Capital Contribution	 <u>\$ 240,912</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Source of Supply		
Salaries and employee benefits	\$ 40,804	\$ 44,251
Repairs and maintenance	39,308	37,509
Water assessments	190,066	190,961
Supplies and other expenses	4,483	4,494
Depreciation	<u>144,671</u>	<u>144,231</u>
Total Source of Supply	<u>419,332</u>	<u>421,446</u>
Water Treatment Expense		
Salaries and employee benefits	251,346	234,345
Repairs and maintenance	62,146	46,693
Chemicals	214,356	114,759
Power purchased for pumping	212,210	231,602
Supplies and other expenses	41,085	51,691
Depreciation	<u>186,969</u>	<u>211,996</u>
Total Water Treatment Expense	<u>968,112</u>	<u>891,086</u>
Transmission and Distribution Expense		
Salaries and employee benefits	175,447	139,570
Repairs and maintenance	55,062	77,693
Supplies and other expenses	14,221	11,715
Depreciation	<u>376,258</u>	<u>372,138</u>
Total Transmission and Distribution Expense	<u>620,988</u>	<u>601,116</u>
Total Water Operating Expenses	<u>\$ 2,008,432</u>	<u>\$ 1,913,648</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Depreciation and amortization	\$ 58,006	\$ 56,519
Directors' fees and meeting expenses	8,300	8,400
Dues and subscriptions	43,928	37,930
Election costs	6,503	128
Insurance	73,411	70,687
Office supplies and expenses	24,061	22,912
Professional fees	186,698	143,021
Repairs and maintenance	27,272	26,597
Salaries and employee benefits	275,622	264,478
Travel	5,109	6,331
Utilities	<u>21,276</u>	<u>17,551</u>
Total Administrative and General Expenses	<u>\$ 730,186</u>	<u>\$ 654,554</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Gross operating revenue	\$ 3,013,600	\$ 2,944,469
Investment income	12,435	6,817
System development fees	<u>107,164</u>	<u>285,926</u>
Total Revenue (Excluding Capital Grants)	<u>3,133,199</u>	<u>3,237,212</u>
Total operating expenses	2,738,618	2,568,202
Less depreciation expense	<u>(765,904)</u>	<u>(784,884)</u>
Adjusted Operating Expenses	<u>1,972,714</u>	<u>1,783,318</u>
Net Revenue	<u>\$ 1,160,485</u>	<u>\$ 1,453,894</u>
Debt service expenditures required:		
Series 2020 A water enterprise bonds	\$ 420,000	\$ 385,000
Government agency bonds	61,019	59,619
Joseph Co.	<u>19,210</u>	<u>17,560</u>
Total Debt Service Expenditures	<u>500,229</u>	<u>462,179</u>
Required ratio	110%	110%
Net Revenue Required	<u>550,252</u>	<u>508,397</u>
Excess (Deficit)	<u>\$ 610,233</u>	<u>\$ 888,559</u>

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