

AUDITED FINANCIAL STATEMENTS
SAINT CHARLES MESA WATER DISTRICT
PUEBLO, COLORADO
December 31, 2024 and 2023

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Independent Auditor's Report

March 12, 2025

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, 2024 and 2023, 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, 2024 and 2023, 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, LLC

Management's Discussion and Analysis

Management's Discussion and Analysis

St. Charles Mesa Water District

For the years ended December 31, 2024, 2023 and 2022

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, 2024. 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 4,384 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, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>Percentage</u>	<u>2022</u>	<u>Change</u>	<u>Percentage</u>
Program Revenues							
Water Sales	\$ 2,901,315	\$ 2,854,831	\$ 46,484	1.63%	\$ 2,803,749	\$ 51,082	1.82%
Other operating revenue	163,240	158,769	4,471	2.82%	140,720	18,049	12.83%
General and Other Revenues							
Investment income	119,980	12,435	107,545	864.86%	6,817	5,618	82.41%
Gain on sale of assets	7,000	-	7,000	100.00%	-	-	-
Total Revenues	<u>3,191,535</u>	<u>3,026,035</u>	<u>165,500</u>	<u>5.47%</u>	<u>2,951,286</u>	<u>74,749</u>	<u>2.53%</u>
Program Expenses							
Source of supply	519,088	419,332	99,756	23.79%	421,446	(2,114)	-0.50%
Water treatment	956,227	968,112	(11,885)	-1.23%	891,086	77,026	8.64%
Transmission & distr.	687,420	620,988	66,432	10.70%	601,116	19,872	3.31%
Administrative	735,419	730,186	5,233	0.72%	654,554	75,632	11.55%
Interest expense	34,114	46,505	(12,391)	-26.64%	62,016	(15,511)	-25.01%
Amortization of loss on debt extinguishment	-	-	-	-	7,991	(7,991)	-100.00%
Total Expenses	<u>2,932,268</u>	<u>2,785,123</u>	<u>147,145</u>	<u>5.28%</u>	<u>2,638,209</u>	<u>146,914</u>	<u>5.57%</u>
Income (loss) before contributions	259,267	240,912	18,355	7.62%	313,077	(72,165)	-23.05%
Contributions							
Capital Grants	30,143	-	30,143	100.00%	-	-	-
System development fees	<u>252,447</u>	<u>107,164</u>	<u>145,283</u>	<u>135.57%</u>	<u>285,926</u>	<u>(178,762)</u>	<u>-62.52%</u>
Change in Net Position	<u>\$ 541,857</u>	<u>\$ 348,076</u>	<u>\$ 193,781</u>	<u>55.67%</u>	<u>\$ 599,003</u>	<u>\$ (250,927)</u>	<u>-41.89%</u>

Total Revenues

The combined revenue for the 2024 fiscal year totaled \$3,191,535 compared to the prior year of \$3,026,035. This is an increase of \$165,500 or 5.47%. The District experienced a 2.53% increase from 2022 to 2023. Combined revenues are comprised of water sales and land and water leases.

Water Sales

Water sales increased in 2023 by \$46,484 or 1.63% over the previous year. The District experienced a 1.82% increase in water sales from 2022 to 2023.

Investment Earnings

This past year has seen an increase in the District's earnings from investments in 2024 compared to 2023. In 2024, the District earned \$119,980 compared to 2023 earnings of \$12,435. The increase is due to the District moving some of their funds to ColoTrust which has a higher interest rate than any of the accounts the District had with their previous bank.

Management's Discussion and Analysis (Continued)

St. Charles Mesa Water District

For the years ended December 31, 2024, 2023 and 2022

Total Expenses

Combined expenses for the 2024 fiscal year totaled \$2,932,268 compared to the prior year of \$2,785,123. This is an increase of \$147,145 or 5.28%. The District had a 5.57% increase in expenses from 2022 to 2023. 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 \$21,807 in 2024, \$41,557 in 2023 and \$45,300 in 2022 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, 2024, 2023 and 2022 is presented below.

<u>Statement of Net Position</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>Percentage</u>	<u>2022</u>	<u>Change</u>	<u>Percentage</u>
Assets							
Capital assets	\$ 14,991,455	\$ 15,094,892	\$ (103,437)	-0.69%	\$ 15,623,026	\$ (528,134)	-3.38%
Current and other assets	3,940,628	3,930,299	10,329	0.26%	3,756,550	173,749	4.63%
Total Assets	18,932,083	19,025,191	(93,108)	-0.49%	19,379,576	(354,385)	-1.83%
Deferred outflows	-	-	-	-	-	-	-
Liabilities							
Long term liabilities	2,837,068	3,440,889	(603,821)	-17.55%	4,019,915	(579,026)	-14.40%
Other liabilities	649,695	590,792	58,903	9.97%	626,453	(35,661)	-5.69%
Total Liabilities	3,486,763	4,031,681	(544,918)	-13.52%	4,646,368	(614,687)	-13.23%
Deferred inflows - Leases	-	90,047	90,047	100.00%	177,821	(87,774)	-49.36%
Net Position							
Invested in capital assets, net of related debt	11,733,299	11,304,765	428,534	3.79%	11,276,538	28,227	0.25%
Restricted for debt service	-	-	-	-	-	-	-
Unrestricted	3,712,021	3,598,698	113,323	3.15%	3,278,849	319,849	9.75%
Total Net Position	\$ 15,445,320	\$ 14,903,463	\$ 541,857	3.64%	\$ 14,555,387	\$ 348,076	2.39%

Net Position

The District's net position increased in 2024. The 2023 total assets were \$19,025,191 and \$18,932,083 in 2024 a decrease of \$93,108 or .49%. The District's total net position increased from 2023 to 2024 by \$541,857 or 3.64%.

Management's Discussion and Analysis (Continued)
 St. Charles Mesa Water District
 For the years ended December 31, 2024, 2023 and 2022

Capital Expenditures

During 2024 expenditures for capital projects totaled \$631,832.

Water Purchases

The District acquired 6 shares of Bessemer Irrigating Ditch Company stock in 2024, 4 shares in 2023 and 5 shares in 2022.

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>12/31/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/24</u>
Series 2020A Water Enterprise Bonds	\$ 2,805,000	\$ -	\$ 435,000	\$ 2,370,000
Government Agency Bonds	<u>591,676</u>	<u>-</u>	<u>61,740</u>	<u>529,936</u>
TOTAL	<u>\$ 3,396,676</u>	<u>\$ -</u>	<u>\$ 496,740</u>	<u>\$ 2,899,936</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, with full payoff in 2 years, the filling station has a great return on investment. 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 \$48,451 in revenue in 2024.
- 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 2024. The remaining 853.494 shares will be leased to farms until needed. The District owns a total of 2113.902 shares as of December 2023.
- The District installed 4 new water meters, sand strainers, check valves and restraint flanges at the 4 wells owned by the District. One pump was replaced in well #8. This was at a cost of \$30,746, and will ensure the District has access to use and properly meter the wells for the foreseeable future.

Management's Discussion and Analysis (Continued)
St. Charles Mesa Water District
For the years ended December 31, 2024, 2023 and 2022

Budget Highlights and Future Projects of the District (Continued)

- The District's Board and management took into account the last 5 years of water usage and increased the rate by 2% for 2024 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 had the interior coatings of two water tanks at the Doyle Road site sandblasted and repainted at a cost of \$176,000. This coating should be protective of the tank for the next 15-20 years.
- Completed the engineering and drawings for an 8 inch water main extension on 30th Lane between Hillside and Highway 50. This project can go out for bid as it is a "shovel ready" project now, and will provide redundant water mains to provide water service to the area north of High 50.
- The District continues to maintain 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 2024 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 256,922	\$ 2,686,847
Investments	3,225,641	710,119
Receivables	143,816	235,618
Inventories	197,961	190,856
Prepaid expenses	116,288	106,859
Capital assets		
Non-depreciable	4,654,201	4,615,201
Depreciable - net	<u>10,337,254</u>	<u>10,479,691</u>
Total Assets	<u>18,932,083</u>	<u>19,025,191</u>
Liabilities		
Accounts payable and accrued expenses	48,490	52,396
Other current liabilities	13,236	13,236
Long-term obligations		
Due within one year	587,969	525,160
Due in more than one year	<u>2,837,068</u>	<u>3,440,889</u>
Total Liabilities	<u>3,486,763</u>	<u>4,031,681</u>
Deferred Inflows		
Related to leases	<u>-</u>	<u>90,047</u>
Net Position		
Invested in capital assets, net of related debt	11,733,299	11,304,765
Restricted	-	-
Unrestricted	<u>3,712,021</u>	<u>3,598,698</u>
Total Net Position	<u>\$ 15,445,320</u>	<u>\$ 14,903,463</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Water sales	\$ 2,901,315	\$ 2,854,831
Other operating income	<u>163,240</u>	<u>158,769</u>
Total Operating Revenues	<u>3,064,555</u>	<u>3,013,600</u>
Operating Expenses		
Source of supply	519,088	419,332
Water treatment	956,227	968,112
Transmission and distribution	687,420	620,988
Administrative	<u>735,419</u>	<u>730,186</u>
Total Operating Expenses	<u>2,898,154</u>	<u>2,738,618</u>
Net Operating Income (Loss)	<u>166,401</u>	<u>274,982</u>
Nonoperating Revenues (Expenses)		
Interest and investment income	119,980	12,435
Gain on sale of assets	7,000	-
Interest expense	<u>(34,114)</u>	<u>(46,505)</u>
Total Nonoperating Revenues (Expenses)	<u>92,866</u>	<u>(34,070)</u>
Income (Loss) Before Capital Contributions	<u>259,267</u>	<u>240,912</u>
Capital Contributions		
Capital grant	30,143	-
System development fees	<u>252,447</u>	<u>107,164</u>
Total Capital Contributions	<u>282,590</u>	<u>107,164</u>
Change in Net Position	541,857	348,076
Total Net Position - Beginning	<u>14,903,463</u>	<u>14,555,387</u>
Total Net Position - Ending	<u>\$ 15,445,320</u>	<u>\$ 14,903,463</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,903,070	\$ 2,845,669
Cash payments to suppliers for goods and services	(1,245,148)	(1,270,438)
Cash payments to employees for services	(907,596)	(779,163)
Other operating revenue	163,240	158,769
Net Cash Provided by Operating Activities	<u>913,566</u>	<u>954,837</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(631,832)	(197,566)
Proceeds from capital grant	30,143	-
Proceeds from long term obligations	49,851	-
Principal paid on revenue bond maturities and long term obligations	(518,202)	(492,738)
Interest paid on revenue bonds and long term obligations	(98,356)	(112,252)
System development fees collected	213,447	81,164
Net Cash Used by Capital and Related Financing Activities	<u>(954,949)</u>	<u>(721,392)</u>
 Cash Flows From Investing Activities		
Interest income	119,980	12,435
Cash proceeds from sale of asset	7,000	-
Investments matured	710,119	702,395
Investments purchased	(3,225,641)	(710,119)
Net Cash Provided by Investing Activities	<u>(2,388,542)</u>	<u>4,711</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (2,429,925)	 238,156
 Cash and Cash Equivalents - Beginning	 <u>2,686,847</u>	 <u>2,448,691</u>
 Cash and Cash Equivalents - Ending	 <u>\$ 256,922</u>	 <u>\$ 2,686,847</u>
 Supplemental Disclosures of Non-Cash Financing and Investing Information		
System Development Fees - in kind	<u>\$ 39,000</u>	<u>\$ 26,000</u>

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

STATEMENTS OF CASH FLOWS (Continued)
SAINT CHARLES MESA WATER DISTRICT
For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 166,401	\$ 274,982
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	782,151	765,904
Capitalized labor	(7,882)	(14,204)
(Increase) decrease in:		
Accounts receivable	1,755	(9,162)
Inventory	(7,105)	3,083
Prepaid expense	(9,429)	(9,564)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,285)	(34,462)
Compensated absences	<u>(9,040)</u>	<u>(21,740)</u>
 Net Cash Provided by Operating Activities	 <u>\$ 913,566</u>	 <u>\$ 954,837</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, 2024 and 2023

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, 2024 and 2023

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 of the utility plant in service are depreciated based upon the following estimated useful lives:

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
 December 31, 2024 and 2023

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, office and shop equipment	5 - 10 years
Office, shop and other buildings	10 - 30 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 principal that leases are financings of the right to use an underlying asset. Under this standard, a lease 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.

Accounting Principles - SBITA

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This standard requires the recognition of a right-to-use subscription, an intangible asset, and a corresponding liability. A subscription liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at present value of subscription payments expected to be made during the subscription term. Future payments are discounted using the interest rate that the SBITA vendor charges the government, which may be implicit, or the County's incremental borrowing rate if the interest rate is not readily determinable. Amortization of the discount is recognized as an outflow of resources in subsequent reporting periods. The asset is measured as the sum of the initial liability, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Amortization of the asset is recognized as an outflow of resources over the subscription term. The District currently has no arrangements that require application of this standard.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31, 2024.

Property taxes

The District has not levied a property tax for 2024 or 2023.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2024 and 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows - Deferred Inflows (Continued)

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.

Deferred inflows related to leases have been recorded as of December 31, 2024, 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.

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, 2024 and 2023 the amount of accrued sick leave and vacation pay was \$166,882 and \$175,922, respectively. The portion of compensated absences that will be shown as a current liability for 2024, is \$29,135. The remaining portion of \$137,747 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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2024 and 2023

Note 2 - Stewardship, Compliance and Accountability

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.

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 2024 or 2023.

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.

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, 2024 the District had deposits in excess of \$250,000 in the amount of \$548,791. These deposits are required to be collateralized under State Statutes.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2024 and 2023

Note 3 - Cash Deposits and Investments (Continued)

Deposits (Continued)

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	256,722	256,722	-
<u>Investments</u>			
ColoTrust	2,499,760	2,499,760	-
Certificates of deposit	725,881	725,881	-
Total Deposits	<u>\$ 3,482,563</u>	<u>\$ 3,482,563</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 has invested \$2,499,760 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The Custodian's internal records identify the investments owned by ColoTrust.

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). Investment in ColoTrust are reported at fair value. However, this investment is not subject to the fair value hierarchy.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2024 and 2023

Note 3 - Cash Deposits and Investments (Continued)

Investments (Continued)

Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. At December 31, 2024 the District's investments in the money market accounts are rated AAA by Moody and S&P.

Note 4 - Receivables

Receivables consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Due from customers for water usage	\$ 105,571	\$ 128,758
Miscellaneous receivables	35,126	16,709
Lease receivable	-	90,047
Interest receivable	3,119	104
Total Receivables	<u><u>\$ 143,816</u></u>	<u><u>\$ 235,618</u></u>

For the year ended December 31, 2024 and 2023, the District received \$90,047 and \$87,774 in lease revenue and \$4,283 and \$3,819 in interest revenue, respectively.

Note 5 - Prepaid Expenses

Prepaid expenses consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Prepaid insurance	\$ 85,886	\$ 76,943
Prepaid water storage	30,402	29,916
Total Receivables	<u><u>\$ 116,288</u></u>	<u><u>\$ 106,859</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2024 and 2023

Note 6 - Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2024.

	<u>Balance at</u> <u>12/31/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/24</u>
Land and land rights	\$ 402,580	\$ -	\$ -	\$ 402,580
Water rights	561,412	-	-	561,412
Mutual irrigating company stock	<u>3,651,209</u>	<u>39,000</u>	-	<u>3,690,209</u>
Non depreciable assets	<u>4,615,201</u>	<u>39,000</u>	-	<u>4,654,201</u>
Source of supply plant	6,702,774	-	-	6,702,774
Pumping plant	569,633	60,330	-	629,963
Water treatment plant	6,024,359	111,487	-	6,135,846
Transmission and distribution system	12,338,673	389,928	-	12,728,601
General plant	453,687	-	-	453,687
Equipment and vehicles	1,111,869	77,969	27,400	1,162,438
Non-utility property	528,987	-	-	528,987
Right to use leased asset	<u>7,491</u>	-	-	<u>7,491</u>
Depreciable assets	<u>27,737,473</u>	<u>639,714</u>	<u>27,400</u>	<u>28,349,787</u>
Totals	<u>\$ 32,352,674</u>	<u>\$ 678,714</u>	<u>\$ 27,400</u>	<u>\$ 33,003,988</u>
Less accumulated depreciation	<u>(17,257,782)</u>			<u>(18,012,533)</u>
Net Capital Assets	<u>\$ 15,094,892</u>			<u>\$ 14,991,455</u>

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	<u>3,625,209</u>	<u>26,000</u>	-	<u>3,651,209</u>
Non depreciable assets	<u>4,589,201</u>	<u>26,000</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>27,737,473</u>
Totals	<u>\$ 32,114,904</u>	<u>\$ 237,770</u>	<u>\$ -</u>	<u>\$ 32,352,674</u>
Less accumulated depreciation	<u>(16,491,878)</u>			<u>(17,257,782)</u>
Net Capital Assets	<u>\$ 15,623,026</u>			<u>\$ 15,094,892</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$782,151 and \$765,904, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
 December 31, 2024 and 2023

Note 7 - Accounts Payable and Accrued Liabilities

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

	<u>2024</u>	<u>2023</u>
Accounts payable	\$ 21,881	\$ 22,837
Accrued property taxes	11,903	14,363
Accrued payroll taxes	293	163
Accrued interest	14,413	15,033
Total Accrued Liabilities	\$ 48,490	\$ 52,396

Note 8 - Other Current liabilities

Other current liabilities consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Customer deposits	\$ 4,050	\$ 4,050
Fire hydrant maintenance	9,186	9,186
Total Other Current Liabilities	\$ 13,236	\$ 13,236

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.

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, 2024 and 2023, employee contributions totaled \$28,602 and \$30,904, and the District recognized pension expense of \$33,675 and \$33,181, 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, 2024 and 2023.

There was no outstanding liability for pension contributions as of December 31, 2024 and 2023.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
December 31, 2024 and 2023

Note 10 - Long Term Obligations

The following is a summary of long term debt transactions for the District for the year ended December 31, 2024.

	<u>December</u> <u>31, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2024</u>	<u>Current</u> <u>Portion</u>
Series 2020A water enterprise bonds	\$ 2,805,000	\$ -	\$ 435,000	\$ 2,370,000	\$ 450,000
Government Agency Bonds	491,099	-	36,596	454,503	37,331
Govt. Agency Bonds CWR and PDA	100,577	-	25,144	75,433	25,144
Joseph Co.	95,968	-	20,092	75,876	21,016
Ford Motor Credit	-	49,851	-	49,851	23,912
Leases	7,491	-	1,370	6,121	1,431
Compensated absences	175,922	1,495	10,535	166,882	29,135
Unamortized premiums	289,992	-	63,621	226,371	-
Total	<u>\$ 3,966,049</u>	<u>\$ 51,346</u>	<u>\$ 592,358</u>	<u>\$ 3,425,037</u>	<u>\$ 587,969</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.

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>
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	500,000	15,000	515,000
	<u>\$ 2,370,000</u>	<u>\$ 217,050</u>	<u>\$ 2,587,050</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.

NOTES TO FINANCIAL STATEMENTS (Continued)
SAINT CHARLES MESA WATER DISTRICT
 December 31, 2024 and 2023

Note 10 - Long-Term Obligations (Continued)

Government Agency Bonds (Continued)

Future years repayment schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	40,424	5,811	46,235
2030 - 2034	214,641	16,536	231,177
2035	45,551	684	46,235
	\$ 454,503	\$ 54,086	\$ 508,589

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 is 0%.

The bonds are secured by a lien on the net revenue of the system. Net revenues are defined in the loan documents. The District is required to establish user rates equal to at least 110% of annual debt service requirements.

Future years repayment schedule:

	<u>Principal</u>
2025	\$ 25,144
2026	25,144
2027	25,145
	\$ 75,433

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>
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
	\$ 75,876	\$ 6,124	\$ 82,000

Ford Motor Credit Company

On August 16, 2024 the District entered into a lease with Ford Motor Company for two new vehicles in the amount of \$49,841. Payments are due in two annual installments of \$28,118 including interest of 8.44%.

NOTES TO FINANCIAL STATEMENTS (Continued)

SAINT CHARLES MESA WATER DISTRICT

December 31, 2024 and 2023

Note 10 - Long-Term Obligations (Continued)

Ford Motor Credit Company (Continued)

Future years repayment schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 23,912	\$ 4,206	\$ 28,118
2026	25,939	2,179	28,118
	<u>\$ 49,851</u>	<u>\$ 6,385</u>	<u>\$ 56,236</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>
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>\$ 6,121</u>	<u>\$ 589</u>	<u>\$ 6,710</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 District did not renew the line of credit with Sunflower Bank in 2024. There was no borrowing on the credit line during 2024.

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, 2024

	Original Budget	Final Budget	2024 Actual	Variance Favorable (Unfavorable)
Operating Revenues				
Water revenues	\$ 2,744,980	\$ 2,744,980	\$ 2,901,315	\$ 156,335
Interest income	1,000	1,000	119,980	118,980
Other income	117,077	117,077	163,240	46,163
Total Operating Revenues	<u>2,863,057</u>	<u>2,863,057</u>	<u>3,184,535</u>	<u>321,478</u>
Nonoperating Revenues				
Gain on sale of assets	-	-	7,000	7,000
Capital grant	-	-	30,143	30,143
Capital contributions	70,000	70,000	252,447	182,447
Total Nonoperating Revenues	<u>70,000</u>	<u>70,000</u>	<u>289,590</u>	<u>219,590</u>
Total Revenues	<u>2,933,057</u>	<u>2,933,057</u>	<u>3,474,125</u>	<u>541,068</u>
Operating Expenses				
Source of Supply				
Salaries and employee benefits	54,190	54,190	112,289	(58,099)
Repairs and maintenance	52,000	52,000	58,373	(6,373)
Water assessments	219,500	219,500	202,706	16,794
Supplies and other expenses	7,000	7,000	3,129	3,871
Total Source of Supply	<u>332,690</u>	<u>332,690</u>	<u>376,497</u>	<u>(43,807)</u>
Water Treatment Expense				
Salaries and employee benefits	247,850	247,850	273,185	(25,335)
Repairs and maintenance	33,000	33,000	58,262	(25,262)
Chemicals	140,000	140,000	192,407	(52,407)
Power purchased for pumping	270,500	270,500	196,138	74,362
Supplies and other expenses	81,750	81,750	43,252	38,498
Total Water Treatment Expense	<u>773,100</u>	<u>773,100</u>	<u>763,244</u>	<u>9,856</u>
Transmission and Distribution Expense				
Salaries and employee benefits	253,040	253,040	209,997	43,043
Repairs and maintenance	108,000	108,000	86,185	21,815
Supplies and other expenses	25,200	25,200	13,592	11,608
Total Transmission and Distribution Expense	<u>386,240</u>	<u>386,240</u>	<u>309,774</u>	<u>76,466</u>
Administrative and General Expenses				
Salaries and employee benefits	283,960	283,960	303,084	(19,124)
Utilities and miscellaneous	25,600	25,600	24,185	1,415
Insurance	92,000	92,000	79,550	12,450
Office supplies and expenses	85,500	85,500	28,940	56,560
Professional services	263,000	263,000	159,820	103,180
Building repairs and maintenance	87,500	87,500	18,056	69,444
Directors, elections and other	22,000	22,000	8,300	13,700
Travel	7,000	7,000	2,759	4,241
Dues and subscriptions	40,000	40,000	49,674	(9,674)
Contingencies	75,000	75,000	-	75,000
Total Administrative and General Expenses	<u>981,560</u>	<u>981,560</u>	<u>674,368</u>	<u>307,192</u>
Total Operating Expenses	<u>2,473,590</u>	<u>2,473,590</u>	<u>2,123,883</u>	<u>349,707</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, 2024

	Original Budget	Final Budget	2024 Actual	Variance Favorable (Unfavorable)
Nonoperating Expenditures				
Interest expense	\$ 84,150	\$ 84,150	\$ 97,735	\$ (13,585)
Principal paid on debt	435,000	435,000	518,202	(83,202)
Capital outlay	<u>874,000</u>	<u>874,000</u>	<u>581,982</u>	<u>292,018</u>
Total Nonoperating Expenditures	<u>1,393,150</u>	<u>1,393,150</u>	<u>1,197,919</u>	<u>195,231</u>
Total Expenditures	<u>3,866,740</u>	<u>3,866,740</u>	<u>3,321,802</u>	<u>544,938</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(933,683)	(933,683)	152,323	1,086,006
Funds Available - Beginning of Year	<u>1,063,262</u>	<u>1,063,262</u>	<u>4,967,067</u>	<u>3,903,805</u>
Funds Available - End of Year	<u>\$ 129,579</u>	<u>\$ 129,579</u>	<u>\$ 5,119,390</u>	<u>\$ 4,989,811</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, 2024

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 3,474,125
Less:	
System development fees	<u>(252,447)</u>
Revenue (GAAP Basis)	<u>3,221,678</u>
Expenses (Budgetary Basis)	3,321,802
Plus:	
Amortization	1,499
Depreciation	780,653
Less:	
Capital outlay	(581,982)
Labor costs capitalized	(7,881)
Principal payments	(518,202)
Amortization of bond premium	<u>(63,621)</u>
Expenses (GAAP Basis)	<u>2,932,268</u>
 Income (Loss) Before Capital Contribution	 \$ <u>289,410</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Source of Supply		
Salaries and employee benefits	\$ 109,257	\$ 40,804
Repairs and maintenance	58,373	39,308
Water assessments	202,706	190,066
Supplies and other expenses	3,129	4,483
Depreciation	<u>145,623</u>	<u>144,671</u>
Total Source of Supply	<u>519,088</u>	<u>419,332</u>
 Water Treatment Expense		
Salaries and employee benefits	272,993	251,346
Repairs and maintenance	58,262	62,146
Chemicals	192,407	214,356
Power purchased for pumping	196,138	212,210
Supplies and other expenses	43,252	41,085
Depreciation	<u>193,175</u>	<u>186,969</u>
Total Water Treatment Expense	<u>956,227</u>	<u>968,112</u>
 Transmission and Distribution Expense		
Salaries and employee benefits	205,340	175,447
Repairs and maintenance	86,185	55,062
Supplies and other expenses	13,592	14,221
Depreciation	<u>382,303</u>	<u>376,258</u>
Total Transmission and Distribution Expense	<u>687,420</u>	<u>620,988</u>
 Total Water Operating Expenses	 <u>\$ 2,162,735</u>	 <u>\$ 2,008,432</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Depreciation and amortization	\$ 61,050	\$ 58,006
Directors' fees and meeting expenses	8,300	8,300
Dues and subscriptions	49,674	43,928
Election costs	-	6,503
Insurance	79,550	73,411
Office supplies and expenses	28,940	24,061
Professional fees	159,820	186,698
Repairs and maintenance	18,057	27,272
Salaries and employee benefits	303,084	275,622
Travel	2,759	5,109
Utilities	<u>24,185</u>	<u>21,276</u>
Total Administrative and General Expenses	<u>\$ 735,419</u>	<u>\$ 730,186</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Gross operating revenue	\$ 3,064,555	\$ 3,013,600
Investment income	119,980	12,435
System development fees	<u>252,447</u>	<u>107,164</u>
Total Revenue (Excluding Capital Grants)	<u>3,436,982</u>	<u>3,133,199</u>
Total operating expenses	2,898,154	2,738,618
Less depreciation expense	<u>(782,151)</u>	<u>(765,904)</u>
Adjusted Operating Expenses	<u>2,116,003</u>	<u>1,972,714</u>
Net Revenue	<u>\$ 1,320,979</u>	<u>\$ 1,160,485</u>
Debt service expenditures required:		
Series 2020 A water enterprise bonds	\$ 521,100	\$ 521,100
Government agency bonds	71,379	71,379
Joseph Co.	24,000	24,000
Ford Motor Credit	<u>28,118</u>	<u>-</u>
Total Debt Service Expenditures	<u>644,597</u>	<u>616,479</u>
Required ratio	110%	110%
Net Revenue Required	<u>709,057</u>	<u>678,127</u>
Excess (Deficit)	<u>\$ 611,922</u>	<u>\$ 482,358</u>

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