

AUDITED FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
WESTCLIFFE, COLORADO
December 31, 2017 and 2016

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Office of the State Auditor

July 31, 2018

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Independent Auditor's Report

July 19, 2018

Board of Directors
Round Mountain Water and Sanitation District
Westcliffe, Colorado

We have audited the accompanying financial statements of the business-type activities of Round Mountain Water and Sanitation District as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Round Mountain Water and Sanitation District

Opinion

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 Round Mountain Water and Sanitation as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Round Mountain Water and Sanitation District's basic financial statements. The schedules of budgetary comparisons, water operating expenses, sewage operating expenses and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of budgetary comparisons, water operating expenses, sewage operating expenses, and general and administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Harvey, Ross & DeNardo, LLC

Management's Discussion and Analysis

**MANAGEMENT’S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015**

The intent of the management’s discussion and analysis is to provide highlights of the Round Mountain Water and Sanitation District’s financial activities and performance for the fiscal year ended December 31, 2017. Readers are encouraged to examine the information presented here in conjunction with the accompanying financial statements.

SERVICES AND ACTIVITIES

The Round Mountain Water and Sanitation District is a “Colorado Special District”, being a unit of local government and political subdivision organized and acting pursuant to the provisions of Title 32, Colorado Revised Statutes. The District functions as an “Enterprise”, a government-owned business utility providing water and wastewater services to most of the developed areas within the Towns of Westcliffe and Silver Cliff, Colorado. The District operates under the jurisdiction and control of a local Board of Directors whose five members are elected by the voters of the District.

The District’s water activities include the acquisition, production (pumping), treatment, storage, delivery, and sale of water. The District’s sewer activities include the collection, transmission, treatment, and disposal of wastewater. The District serves only its own customers, and neither sells to nor purchases from any other public water or wastewater service provider.

FINANCIAL POLICIES, CONTROLS, AND ACCOUNTING

The financial policies and controls of the District include an internal annual budget in accordance with the Colorado Local Government Budget Law, an accounting system in adherence to the Colorado Local Government Uniform Accounting Law reflecting the guidelines and practices recommended in the Colorado Financial Management Manual, and an external audit of its financial statements in compliance with the Colorado Local Government Audit Law. The Board has the exclusive right to determine its own rates and charges for services provided.

The District utilizes the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) for governmental agencies. Under such method, revenues are recognized when they are earned. Expenses are recognized as they are incurred. The transactions of the District are all reflected in one fund, namely a proprietary fund, for accounting purposes. A proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs, including amortization and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements.

The District’s financial statements included in this annual report are those of a special purpose government engaged only in a business-type activity. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The following basic financial statements are included:

- The **statement of net position** presents the financial position of the District. It presents information on the District’s assets, deferred outflows, liabilities and deferred inflows with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The **statement of revenues, expenses and changes in net position** presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. – earned, but unused, vacation leave). The statement reports the District's operating and non-operating revenue by source along with operating and non-operating expenses and capital contributions.
- The **statement of cash flows** reports the District's cash flows from operating activities, investing, capital and non-capital activities.
- The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes, the basic report also presents certain **supplementary information** concerning the District's budgetary comparisons. The District provides much of this supplementary information at the request, and for the benefit, of the registered owners of the District's revenue bonds, and of the bank/lessor of property under lease/purchase by the District.

Statement of Net Position

	2017	2016	2015
Assets			
Current Assets	\$ 375,139	\$ 558,967	\$ 563,737
Capital assets, net of accumulated depreciation	3,720,217	3,621,224	3,788,146
Total Assets	<u>\$ 4,095,356</u>	<u>\$ 4,180,191</u>	<u>\$ 4,351,883</u>
Liabilities			
Current liabilities	\$ 86,904	\$ 74,302	\$ 87,687
Noncurrent liabilities	603,310	662,573	720,506
Total Liabilities	<u>\$ 690,214</u>	<u>\$ 736,875</u>	<u>\$ 808,193</u>
Deferred Inflows of Resources	<u>\$ 42,737</u>	<u>\$ 43,892</u>	<u>\$ 43,901</u>
Net Position			
Capital assets, net of related debt	\$ 3,057,255	\$ 2,900,704	\$ 3,011,501
Restricted for emergency	20,400	18,000	16,700
Unrestricted	284,750	480,720	471,588
Total Net Position	<u>\$ 3,362,405</u>	<u>\$ 3,399,424</u>	<u>\$ 3,499,789</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Operating revenues:			
Water sales	\$ 320,600	\$ 318,030	\$ 297,470
Sewer charges	209,303	208,878	203,926
Tap connection fees -- water	13,000	5,150	1,300
Tap connection fees -- sewer	8,800	4,900	2,400
Other (rents, penalties, misc. charges)	6,435	6,345	7,789
Non-operating revenues:			
General property tax	44,089	40,541	47,170
Specific ownership tax	6,366	5,516	6,101
Gain (loss) on disposal of assets	-	1,250	-
State grants	1,631	798	1,250
Interest income	1,453	1,695	1,661
Total Revenues	<u>611,677</u>	<u>593,103</u>	<u>569,067</u>
Expenses			
Operating expenses:			
Water operations	197,071	145,638	132,308
Sewer operations	102,403	90,839	76,899
Admin & general	215,078	215,903	210,161
Water system depreciation	116,783	113,137	96,172
Sewer system depreciation	52,529	105,175	64,802
Admin & general depreciation	12,180	8,249	6,102
Non-operating expenses:			
County Treasurer's collection fees	2,193	2,018	2,347
Interest expense	37,659	39,402	41,093
Total expenses	<u>735,896</u>	<u>720,361</u>	<u>629,884</u>
Income (loss) before contributions	(124,219)	(127,258)	(60,817)
Capital contributions, net of rebates	87,200	26,893	11,300
Change in net income	<u>(37,019)</u>	<u>(100,365)</u>	<u>(49,517)</u>
Net position -- beginning of year	3,399,424	3,499,789	3,549,306
Net position -- end of year	<u>\$ 3,362,405</u>	<u>\$ 3,399,424</u>	<u>\$ 3,499,789</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015**

Actual vs. Budget

	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Water revenue	\$ 320,600	\$ 305,250	\$ 15,350
Sewage revenue	209,303	202,250	7,053
Connection charges (20% of tap fee)	21,800	4,200	17,600
System Development Fees:	-		
Plant investment charges (80% of tap fee)	87,200	16,800	70,400
Interest income	1,453	1,500	(47)
Property and SO tax collections	50,455	49,493	962
Grant income	1,631	-	1,631
Gain on sale of assets	-	100	(100)
Other income	6,435	5,650	785
TOTAL REVENUES	<u>698,877</u>	<u>585,243</u>	<u>113,634</u>
EXPENDITURES			
Water system	194,900	132,411	(62,489)
Sewage system	100,956	109,974	9,018
Administration	210,415	247,955	37,540
Treasurer's collection fees	2,193	2,300	107
Interest expense	37,659	39,711	2,052
Principal payments on notes, bonds & capital lease	57,557	55,760	(1,797)
Capital outlay	280,484	359,538	79,054
TOTAL EXPENDITURES	<u>884,164</u>	<u>947,649</u>	<u>63,485</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES (BUDGETARY BASIS)	<u>\$ (185,287)</u>	<u>\$ (362,406)</u>	<u>\$ 177,119</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015

HIGHLIGHTS OF THE STATEMENT OF NET POSITION

Current assets (\$375,139 in 2017) consist of cash, accounts receivable, property tax receivable, supply inventory, and prepaid insurance. This figure is \$183,828 less than in 2016. The decrease in current assets is mostly due to less cash reserves as compared to the prior year.

The **capital assets** (net of accumulated depreciation) figure consists of the District’s land, easements, water rights and raw water storage space, along with the depreciated value of its buildings, wells, pump and lift stations, water transmission and distribution system, sewer collection and transmission system, storage tanks (for potable water), water and sewer treatment plants, machinery and equipment. The increase from 2016 to 2017 is \$98,993 – being the 2017 net capital improvements of \$280,485 less the 2017 depreciation expense of \$181,492.

Capital projects and improvements during 2017 consisted of the following:

• Water wells, pumping and treatment improvements	\$ -
• Water transmission and distribution	\$ 142,768
• Sewer collection and transmission	\$ 2,112
• Sewer treatment plant	\$ 82,625
• Machinery, equipment, office equipment	\$ 52,980

Current liabilities include accounts payable, accrued interest, current maturities of capital lease and other obligations payable, and the current portion of accrued compensated absences.

The \$12,602 increase in current liabilities is primarily due to the increase in accounts payable and accrued compensated absences.

Noncurrent liabilities (\$603,310) at 12-31-17 are as follows:

- \$487,638 balance payable (net of \$27,696 current maturities) on a capital lease secured by the Johnson Place ranch. See footnotes, pages 12-13.
- \$58,808 balance payable (net of \$3,942 current maturities) on a note payable with DOLA used for assistance in drilling a new water supply well. See footnotes, pages 13.
- \$56,864 balance payable (net of \$28,015 current maturities) on other obligations for water tank renovations. See footnotes, page 14.

Prior to the implementation of the State Engineer’s 1973 and 1996 Groundwater “Use Rules” and Regulations, Round Mountain’s five wells were exempt from the State’s Surface Water Priority System (the River Call). When that exemption was removed by the “Use Rules”, Round Mountain’s wells were essentially shut down. Use of those wells has been legally restored, because water rights from the Johnson Place are now used by Water Court decree to replace (augment) depletions from those wells.

Overall, noncurrent liabilities decreased \$59,263 from 2016 to 2017. This is due to the payment of principal payments on the notes.

The District’s **total net position** at the close of the 2017 fiscal year was \$3,362,405, a decrease of \$37,019. Of this amount, \$287,150 (unrestricted) may be used to meet the government’s ongoing obligations to citizens and creditors. The capital assets themselves are needed to provide services and are not available for future spending or for liquidating liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015**

HIGHLIGHTS OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The revenue and expense portions of this statement basically represent the usual and ordinary financial activities of the District. Capital contributions (tap fees, developer grants, etc.) are much more variable from year to year.

Revenues – While some revenue accounts showed increases from 2016 to 2017, others showed decreases. The following are partial, but significant features of the overall \$14,835 increase in combined operating revenue:

- Service charges and bulk water sales increased \$ 14,745
- Other operating income up 90

Expenses – Combined operating expenses increased by \$17,103 from 2016 to 2017. Large variance between the two years were within the expenses related to depreciation, operating supplies, purchased services, repairs and maintenance, office supplies, utilities, and salary and wages.

Capital Contributions – Consisted of the following and are self-explanatory.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
System development / plant investment fees (80% of each tap fee, less rebates to developers)	\$ 87,200	\$ 17,700	\$ 11,300
Facilities built by developers and turned over to the District for operation and maintenance	\$ -	\$ 9,193	\$ -

Capital contributions, particularly the plant investment portions of the tap fees, are historically used for capital projects, not operations and maintenance. The reverse is generally true for service charges although, in recent years, service fees have been used to subsidize growth-related capital improvements.

THE BUDGET

As required by law, the District formally adopts an operating budget and appropriating resolution each year. The District also uses formal budget accounting, which differs in some respects from GAAP accounting, as a management control for its “enterprise” operations. The reader will find a description of the differences between the two reporting methods in the **Notes to Financial Statements** of the basic report (page 10). The reader will also find on page 19 of the basic report, the reconciliation from the budgetary to the GAAP basis of accounting.

By using the financial figures “as adjusted to the budgetary basis,” a comparison can be made between the actual revenue and expense and the budgeted revenue and expense for a particular year. That comparison is found on page iv. The following is an overview highlighting the differences between actual and budget.

HIGHLIGHTS OF THE ACTUAL VS. BUDGET

Water and sewer revenues were \$22,403 over budget.

Tap connection charges and system development fees/capital contributions (the plant investment portion of the tap fee, and capital grants by developers) were over budget by a combined \$88,000. The District had budgeted selling 2 new taps, and 11 water and sewer tap combinations were purchased in 2017. **Capital expenditures** were under budget by \$79,054.

Earnings on deposits and investments were \$495 over budget, a result of no changes in interest rates, but the District had a decrease in cash invested during the year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015**

HIGHLIGHTS OF THE ACTUAL VS. BUDGET (Continued)

Water and sewer system expenses were over budget by \$53,471. Administration costs were under budget by \$37,540.

The actual vs. budget accounting reflects a favorable \$63,485 excess of revenue over expense, the budget assumed revenue for system development. Total expenditures were under the \$947,649 budget appropriation by \$63,485.

OTHER FINANCIAL HIGHLIGHTS

Tap fees include both a connection charge and a plant investment fee. These were increased 12.5% January 1, 2006. Tap fees, the only revenue taken in specifically for capital improvements, are still not sufficient for that purpose as growth continues to be subsidized by established customers and taxpayers. **Service charges** were also increased by 4.0% in 2006.

The 2008 property tax levy was 2.346 mills applied to a 2007 assessed valuation of \$17,045,010.
The 2009 property tax levy was 2.499 mills applied to a 2008 assessed valuation of \$17,009,940.
The 2010 property tax levy was 2.499 mills applied to a 2009 assessed valuation of \$17,989,670.
The 2011 property tax levy was 2.499 mills applied to a 2010 assessed valuation of \$17,655,120.
The 2012 property tax levy was 2.499 mills applied to a 2011 assessed valuation of \$17,631,320.
The 2013 property tax levy was 2.499 mills applied to a 2012 assessed valuation of \$17,418,010.
The 2014 property tax levy was 2.499 mills applied to a 2013 assessed valuation of \$17,743,940.
The 2015 property tax levy was 2.672 mills applied to a 2014 assessed valuation of \$17,560,290
The 2016 property tax levy will be 2.499 mills applied to a 2015 assessed valuation of \$17,567,430

*A temporary tax credit of .2 mills will be applied to correct error in 2014.

The 2017 property tax levy will be 2.499 mills applied to a 2016 assessed valuation of \$17,563,950
The 2018 property tax levy will be 2.499 mills applied to a 2017 assessed valuation of \$17,101,510

Tax Rate Error: It was determined during 2015 that an error had been made when the 2015 tax levy was established. When establishing the 2016 budget the district made provisions for rebating the taxes inappropriately collected along with 10% penalty to the district's property owners.

Tap fee rebates are another long-term obligation of the District, but do not constitute debt. By contractual agreement, the District will rebate a portion of certain tap fees back to a developer who has invested in the District infrastructure supporting those taps. Rebates are paid only upon the receipt of tap fees and no annual minimum payments are required. All such agreements expire after ten years.

WHAT'S IN THE FUTURE?

District

The District intend to have a rate study performed during the September – November 2018 period to review necessary rate increases to fund the various activities of the enterprises, and their necessary capital improvements and associated operational expenses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2017, 2016 and 2015**

WHAT'S IN THE FUTURE? (Continued)

Wastewater Enterprise

It is expected that all preliminary steps necessary to construct a new wastewater treatment plant will be completed by December 31, 2018. These steps include acquiring the necessary funding and completion of all design documents. The Bidding and award of necessary contracts will be done during the February through March period and construction to begin in May. The project completion and operational start-up is anticipated by December 31, 2019.

Initial rate increases necessary to fund the planning and design of the new treatment system have been completed. Grant and loan requests to various entities have been submitted and we are awaiting a response to these requests. Additional changes to the rate structure will be implemented as costs become clearer.

Water Enterprise

Planning for the replacement of the Smith Well structure has taken an increasing urgency as the well capacity continues to be reduced. It is anticipated that initial planning steps will be taken in 2019 with construction in 2020.

Dry-up of the Johnson Place Ranch will continue. Upon successful dry-up the District will seek to sell the property, retain such easement rights as necessary. Retaining easements is necessary to manage the District's water rights in accordance with the court decrees. Money from the sale of the property will be used to satisfy the remaining lease/purchase amounts. Upon sale of the property, the District will retain ownership of the water rights. Sale is anticipated to be completed by the end of 2019.

REQUESTS FOR INFORMATION

If you have questions, please contact the District Manager, Round Mountain Water and Sanitation District, P. O. Box 86; Westcliffe, Colorado 81252-0086.

Basic Financial Statements

STATEMENTS OF NET POSITION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 210,920	\$ 390,829
Receivables		
Accounts receivable	52,170	58,921
Property tax	42,737	43,892
Interest	21	21
Inventories	48,574	48,163
Prepaid expenses	20,717	17,141
Total Current Assets	<u>375,139</u>	<u>558,967</u>
Noncurrent Assets		
Capital assets, net of accumulated depreciation	<u>3,720,217</u>	<u>3,621,224</u>
Total Assets	<u>\$ 4,095,356</u>	<u>\$ 4,180,191</u>
 <u>Liabilities</u>		
Current Liabilities		
Accounts payable	\$ 10,012	\$ 7,142
Accrued interest	2,967	3,222
Accrued compensated absences	14,272	5,991
Note payable - current maturities	3,942	3,755
Capital leases	27,696	25,968
Other obligations	28,015	28,224
Total Current Liabilities	<u>86,904</u>	<u>74,302</u>
Noncurrent Liabilities		
Note payable	58,808	62,749
Capital leases	487,638	515,154
Other obligations	56,864	84,670
Total Noncurrent Liabilities	<u>603,310</u>	<u>662,573</u>
Total Liabilities	<u>690,214</u>	<u>736,875</u>
 Deferred Inflows of Resources		
Unavailable revenue - property tax	<u>42,737</u>	<u>43,892</u>
 <u>Net Position</u>		
Invested in capital assets, net of related debt	3,057,255	2,900,704
Restricted for emergency	20,400	18,000
Unrestricted	284,750	480,720
Total Net Position	<u>\$ 3,362,405</u>	<u>\$ 3,399,424</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Water charges	\$ 320,600	\$ 318,030
Sewage charges	209,303	208,878
Tap connection fees	21,800	10,050
Other operating income	<u>6,435</u>	<u>6,345</u>
Total Operating Revenues	<u>558,138</u>	<u>543,303</u>
Operating Expenses		
Water operating expenses		
Source of supply	114,075	104,665
Water treatment	37,298	31,535
Transmission and distribution	162,481	122,575
Sewage operating expenses		
Collection and transmission	84,168	102,423
Sewage treatment	70,764	93,591
Administrative and general	<u>227,258</u>	<u>224,152</u>
Total Operating Expenses	<u>696,044</u>	<u>678,941</u>
Net Operating Income (Loss)	<u>(137,906)</u>	<u>(135,638)</u>
Nonoperating Revenue (Expenses)		
General property tax	44,089	40,541
Specific ownership tax	6,366	5,516
Interest income	1,453	1,695
State grants	1,631	798
Gain (loss) on disposal of assets	-	1,250
Interest expense	(37,659)	(39,402)
Treasurer's collection fees	<u>(2,193)</u>	<u>(2,018)</u>
Total Nonoperating Revenues (Expenses)	<u>13,687</u>	<u>8,380</u>
Income (Loss) Before Capital Contributions	<u>(124,219)</u>	<u>(127,258)</u>
Capital Contributions		
System development fees	87,200	17,700
Capital grants	<u>-</u>	<u>9,193</u>
Total Capital Contributions	<u>87,200</u>	<u>26,893</u>
Net Income (Loss)	(37,019)	(100,365)
Total Net Position - Beginning	<u>3,399,424</u>	<u>3,499,789</u>
Total Net Position - Ending	<u>\$ 3,362,405</u>	<u>\$ 3,399,424</u>

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

STATEMENTS OF CASH FLOWS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 564,889	\$ 525,031
Cash payments to suppliers for goods and services	(281,723)	(270,313)
Cash payments to employees for services	<u>(225,665)</u>	<u>(195,718)</u>
Net Cash Provided by Operating Activities	<u>57,501</u>	<u>59,000</u>
 Cash Flows From Noncapital Financing Activities		
Cash received from property tax	50,455	46,057
Cash paid for treasurer's fees	<u>(2,193)</u>	<u>(2,018)</u>
Net Cash Provided by Noncapital Financing Activities	<u>48,262</u>	<u>44,039</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(280,485)	(59,639)
Capital grant received	1,631	9,991
Proceeds from sale of fixed assets	-	1,250
Principal paid on short-term/long term notes	(3,754)	(3,576)
Principal paid on bond and capital lease payable	(25,788)	(24,325)
Principal paid on other obligations	(28,015)	(28,224)
Interest paid on short-term note and long term debt	(37,914)	(39,557)
System development fees collected - net of rebates	<u>87,200</u>	<u>17,700</u>
Net Cash Used by Capital and Related Financing Activities	<u>(287,125)</u>	<u>(126,380)</u>
 Cash Flows From Investing Activities		
Interest income	<u>1,453</u>	<u>1,695</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(179,909)	(21,646)
 Cash and Cash Equivalents - Beginning	<u>390,829</u>	<u>412,475</u>
 Cash and Cash Equivalents - Ending	<u>\$ 210,920</u>	<u>\$ 390,829</u>

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

STATEMENTS OF CASH FLOWS (Continued)
 ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ (137,906)	\$ (135,638)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	181,492	226,561
(Increase) decrease in:		
Accounts receivable	6,751	(14,072)
Inventory	(411)	(3,598)
Prepaid expense	(3,576)	785
Increase (decrease) in:		
Accounts payable	2,870	(12,397)
Compensated absences	8,281	1,559
Customer deposits	<u>-</u>	<u>(4,200)</u>
Net Cash Provided by Operations	<u>\$ 57,501</u>	<u>\$ 59,000</u>

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

NOTES TO FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2017 and 2016

NOTE A - Summary of Significant Accounting Policies

Reporting Entity

The Round Mountain Water and Sanitation 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 District (the primary government) presents its financial statements in accordance with generally accepted accounting principles, as they apply to governmental units. The financial statements of the District consist only of its sole enterprise fund for water and sewer services. The District has no other funds or account groups.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met. Capital grant funding represents amounts received or paid on behalf of the District for capital asset acquisition or construction of additions to the utility plant in service.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The primary source of revenue is user charges for water and sewer services. Operating expenses are reported in functional categories for source of supply, water treatment, transmission and distribution, collection and transmission, sewage treatment 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 property and specific ownership taxes and interest income. The principal nonoperating expenses of the District include interest expense and treasurer's fees.

All assets and liabilities, both current and noncurrent, are included in the statement of net position of proprietary funds.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Equivalents

The statement of cash flows focuses on the change in cash and cash equivalents during the period. Cash equivalents are short-term, highly liquid investments that are quickly converted to known cash amounts and that have maturities of three months or less so as to minimize the risk of value changes.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2017 and 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

Receivables

Accounts receivable is reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Inventory at December 31, 2017 and 2016 is stated at the lower of cost or market on the first-in, first out basis and is based on physical inventory taken at December 31.

Prepaid Expenses

Payments made by the District in the current year to provide services occurring in the subsequent year.

Capital Assets

Land, water rights and water storage are stated at cost and are not depreciated. All other components of the utility plant in service are stated at cost and depreciated using straight-line depreciation based upon the following useful lives:

Source of supply plant	5 - 25 years
Water transmission and distribution system	10 - 40 years
Sewage treatment plant	10 - 40 years
Sewage collection and transmission system	10 - 40 years
General equipment	5 - 10 years

Accounts Payable

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, property taxes. This item is deferred and recognized as an inflow of resources in the period that the amounts becomes available.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2017 and 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Accumulated compensated absences pay is accrued and recorded as an expense in the period earned.

The District has in force both a vacation and sick leave policy which apply to all employees. The policy was changed effective December 2016. Vacation leave is earned on a monthly basis. The amount of vacation leave varies between ten and fifteen days per year depending upon the number of years of continuous service provided by the employee. The sick leave policy provides for six days per year for full time employees. The Employees are allowed to accumulate up to four weeks total between vacation and sick time. Any unused, vested vacation time and one half of vested sick time will be paid to the employee upon termination at their current pay rate.

Accrued compensated absences at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Current Portion	\$ 14,272	\$ 5,991
Long-term Portion	-	-
Total	<u>\$ 14,272</u>	<u>\$ 5,991</u>

The current portion of the accumulated vacation pay is that portion which is expected to be used within the next year.

System Development Fees

The District charges fees to join the utility system. The basic connection charge (tap fee) is currently \$10,500. The increase was effective April 1, 2013 up from \$9,000. The basic connection charge (tap fee) is currently \$4,000 for a sewer tap and \$6,500 for a water tap. Of the total tap fee, 80% is recorded as contributed capital - system development fees and 20% is recorded as tap connection fees. For the years ended December 31, 2017 and 2016, the additions to contributed capital - system development fees, net of rebates were \$87,200 and \$17,700, respectively.

Interest

Interest income on investments is recognized in the period it is earned.

Property Taxes

The District is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments before the last day of February and the 15th day of June of in full before the last day of April.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Available means due or past due and receivable within the current period and collected no longer than 60 days after December 31.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

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 disasters. The District carries commercial insurance for such risks, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2017 or 2016.

Note B - Stewardship, Compliance and Accountability

Tax, Revenue, Spending, and Debt Limitations

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending, and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992.

In addition to the tax raising, revenue, spending, and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve", to be used for declared emergencies only, each entity shall reserve 3% or more of its fiscal year spending excluding bonded debt service. For the years ended December 31, 2017 and 2016, the District estimates its reserve requirement at \$20,400 and \$18,000, respectively.

On May 5, 1998, the District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 1998 and thereafter.

Budget 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 Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. 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, bad debt expense and accruals for compensated absences 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 expenses on the budgetary basis. Debt proceeds are not treated as revenue and debt repayments and capital expenses are not treated as expenses on the GAAP basis.
3. Gain on sale of assets are not recognized on the budgetary basis and are treated as nonoperating revenue on the GAAP basis.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2017 and 2016

Note B - Stewardship, Compliance and Accountability (Continued)

Budget and Budgetary Data (Continued)

All unencumbered budget appropriations lapse at the end of each fiscal year.

Note C - Cash Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

As of December 31, 2017, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Custodial 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 risk parallels Colorado statutes.

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

	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits:			
Checking account	\$ 120,815	\$ 120,815	-
Certificate of deposit	89,855	89,855	-
Petty cash	<u>250</u>	<u>250</u>	<u>-</u>
Total	<u>\$ 210,920</u>	<u>\$ 210,920</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.

Interest Rate Risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit Risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes.

The District had no such investments during the years ending December 31, 2017 or 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2017 and 2016

Note D - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2017.

	<u>Balance at</u> <u>12-31-16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12-31-17</u>
Land and land rights, etc.	\$ 1,558,734	\$ -	\$ -	\$ 1,558,734
General equipment	57,130	52,980	-	110,110
Office Furniture	68,696	-	-	68,696
Transportation equipment	83,705	-	-	83,705
Source of supply	855,853	-	-	855,853
Water transmission and distribution	2,338,879	142,768	-	2,481,647
Sewage treatment plant	498,183	82,625	-	580,808
Sewage collection and distribution	1,458,741	2,112	-	1,460,853
Totals	<u>\$ 6,919,921</u>	<u>\$ 280,485</u>	<u>\$ -</u>	<u>\$ 7,200,406</u>
Less accumulated depreciation	<u>(3,298,697)</u>	<u>\$ 181,492</u>	<u>\$ -</u>	<u>(3,480,189)</u>
Net Capital Assets	<u>\$ 3,621,224</u>			<u>\$ 3,720,217</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$181,492 and \$226,561, respectively. Accumulated depreciation for the years ended December 31, 2017 and 2016 was \$3,480,189 and \$3,298,697, respectively.

Note E - Property Taxes Receivable

Property taxes which have been levied for 2017 and will not be collected until 2018 have been recorded as a receivable at December 31, 2017. An offsetting entry has been recorded as a deferred inflow of resources on the statements of net position.

Note F - Capital Lease

On August 9, 2000, the District entered into a lease agreement with First State Bank of Colorado for real property and water rights. The lease requires 360 monthly payments of \$5,031.40 beginning August 9, 2000. The payments include interest at 6.50%.

	<u>December</u> <u>31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2017</u>	<u>Due Within</u> <u>One Year</u>
First State Bank of Colorado	\$ 541,122	\$ -	\$ 25,788	\$ 515,334	\$ 27,696

Assets under the capital lease totaled \$800,000 and are included in capital assets as land, rights of way and water rights.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2017 and 2016

Note F - Capital Lease (Continued)

Future minimum lease payments are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	27,696	32,681	60,377
2019	29,550	30,827	60,377
2020	31,529	28,847	60,376
2021	33,641	26,736	60,377
2022	35,894	24,483	60,377
2023-2027	218,914	82,970	301,884
2028-2030	<u>138,110</u>	<u>22,115</u>	<u>160,225</u>
Total	\$ <u>515,334</u>	\$ <u>248,659</u>	\$ <u>763,993</u>

Obligations under capital leases have been recorded at the present value of future minimum lease payments, discounted at applicable interest rates.

Note G - Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2017:

	<u>December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2017</u>	<u>Due Within One Year</u>
System Improvements-note	\$ <u>66,504</u>	\$ <u>-</u>	\$ <u>3,754</u>	\$ <u>62,750</u>	\$ <u>3,942</u>

The District entered into a loan contract with the Department of Local Affairs (DOLA) on June 11, 2009. The District was eligible to receive Energy and Mineral Impact Assistance funding for assistance in drilling a new water supply well. The terms of the contract is 20 years with annual principal and interest payments of \$7,079.74 with the first payment due September 1, 2010. Interest is payable at the rate of 5% per annum.

The annual requirements to amortize the long-term debt as of December 31, 2017 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	3,942	3,137	7,079
2019	4,140	2,940	7,080
2020	4,346	2,733	7,079
2021	4,564	2,516	7,080
2022	4,792	2,288	7,080
2023-2027	27,802	7,597	35,399
2028-2029	<u>13,164</u>	<u>995</u>	<u>14,159</u>
Total	\$ <u>62,750</u>	\$ <u>22,206</u>	\$ <u>84,956</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2017 and 2016

Note H - Other Obligations

The District entered into a agreement with Utility Service Co., Inc. on February 3, 2015. The agreement was for renovation costs on two tanks. The term of the contract is 6 years with annual payments of \$28,224 with the first payment due August 2015. Interest is payable at the rate of 0% per annum.

The annual requirements to amortize the other obligations as of December 31, 2017 are as follows:

<u>Year Ending December 31</u>	
2018	28,224
2019	28,224
2020	<u>28,222</u>
Total	\$ <u>84,670</u>

Note I - Insurance Pool

Colorado Special Districts Property and Liability Pool (the Pool) is a separate and independent governmental and legal entity pursuant to the provisions of the Colorado Constitution and Colorado Revised Statutes. On March 8, 1988, the Board of the District approved participation in the Pool. The District has participated each year since then.

The purposes of the Pool are to provide defined property and liability coverage and claims and risk management services related thereto for Member Special Districts through a self-insurance pool.

It is the intent of the members of the Pool to operate an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability or loss to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members.

The District's share of the Pool cannot be determined. The condensed financial information of the Pool that is currently available for the years ended December 31, is as follows:

	<u>2017</u>	<u>2016</u>
Assets	\$ <u>56,602,888</u>	\$ <u>52,645,796</u>
Liabilities	\$ 30,815,521	\$ 28,757,242
Equity	<u>25,787,367</u>	<u>23,888,554</u>
	<u>\$ 56,602,888</u>	<u>\$ 52,645,796</u>
Revenues	\$ 20,082,198	\$ 18,932,979
Expenses	<u>18,721,378</u>	<u>14,100,230</u>
Excess of revenues over (under) expenses	<u>\$ 1,360,820</u>	<u>\$ 4,832,749</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2017 and 2016

Note I - Insurance Pool (Continued)

That report may be obtained by writing Colorado District Association of Colorado, 225 East 16th Avenue, Suite 1000, Denver, Colorado 80203 or calling 1-(303)-863-1733 or 1-(800)-886-1733.

Note J - 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 the net position that are associated with non-liquid, capital assets, less outstanding capital asset related debt.

Restricted net position has a third-party (statutory, bond covenant or water user) limitation on their use. Based on Amendment 1 (TABOR), the District has reserved 3% of fiscal year spending for declared emergencies. For the years ended December 31, 2017 and 2016, the District has reserved \$20,400 and \$18,000, respectively.

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

Note K - Capital Grant

The District has entered into various agreements with customers to extend the water distribution system in order to provide public water to the premises. Under the terms of the agreements, the customers were to pay for all costs necessary for the service extension. Upon completion, ownership of the system rests with the District.

The District has the rights to sell additional taps from the system. In the event the District elects to sell such taps, rebates will be given for each water and sewer tap fee collected not to exceed the cost of the extensions over the life of the individual agreements.

Note L - Operating Lease

The District is operated in rented facilities. The twenty-four (24) month lease for office space originated October 1, 2012. The lease was extended for twenty - four (24) months and expired September 30, 2016. The monthly rental payment was \$1,060 through September 30, 2015 and \$1,125 through September 30, 2016. A one year extension was signed through September 30, 2017 with no change in the monthly rental payment and currently paying month to month at December 31, 2017. Rent expense for the years ended December 31, 2017 and 2016 was \$13,500 and \$13,500.

Other Supplementary Information

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGETARY BASIS - BUDGET AND ACTUAL

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

For the year ended December 31, 2017

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2017 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues				
Water charges	\$ 305,250	\$ 305,250	\$ 320,600	\$ 15,350
Sewer charges	202,250	202,250	209,303	7,053
Tap connection fees	4,200	4,200	21,800	17,600
Other operating income	<u>5,650</u>	<u>5,650</u>	<u>6,435</u>	<u>785</u>
Total Revenues	<u>517,350</u>	<u>517,350</u>	<u>558,138</u>	<u>40,788</u>
Nonoperating Revenues				
General property tax	43,893	43,893	44,089	196
Specific ownership tax	5,600	5,600	6,366	766
Interest income	1,500	1,500	1,453	(47)
State grants	-	-	1,631	1,631
Gain on sale of assets	100	100	-	(100)
System Development fees	<u>16,800</u>	<u>16,800</u>	<u>87,200</u>	<u>70,400</u>
Total Nonoperating Revenues	<u>67,893</u>	<u>67,893</u>	<u>140,739</u>	<u>72,846</u>
Total Revenues	<u>585,243</u>	<u>585,243</u>	<u>698,877</u>	<u>113,634</u>
Operating Expenses				
Source of Supply				
Power purchased for pumping	30,000	30,000	34,216	(4,216)
Operating supplies	2,500	2,500	2,335	165
Purchased services	5,000	5,000	6,494	(1,494)
Repairs and maintenance	4,000	4,000	609	3,391
Salaries	19,858	19,858	22,679	(2,821)
Employee health insurance	3,250	3,250	3,992	(742)
Payroll taxes	<u>1,579</u>	<u>1,579</u>	<u>1,803</u>	<u>(224)</u>
Total Source of Supply	<u>66,187</u>	<u>66,187</u>	<u>72,128</u>	<u>(5,941)</u>
Water Treatment Expense				
Operating supplies	3,100	3,100	3,030	70
Purchased services	2,000	2,000	3,265	(1,265)
Repairs and maintenance	3,500	3,500	1,806	1,694
Salaries	19,858	19,858	22,678	(2,820)
Employee health insurance	3,250	3,250	3,992	(742)
Payroll taxes	<u>1,579</u>	<u>1,579</u>	<u>1,803</u>	<u>(224)</u>
Total Water Treatment Expense	<u>33,287</u>	<u>33,287</u>	<u>36,574</u>	<u>(3,287)</u>
Transmission and Distribution Expense				
Operating supplies	2,250	2,250	3,041	(791)
Purchased services	2,500	2,500	3,302	(802)
Repairs and maintenance	3,500	3,500	51,382	(47,882)
Salaries	19,858	19,858	22,678	(2,820)
Employee health insurance	3,250	3,250	3,992	(742)
Payroll taxes	<u>1,579</u>	<u>1,579</u>	<u>1,803</u>	<u>(224)</u>
Total Transmission and Distribution	<u>32,937</u>	<u>32,937</u>	<u>86,198</u>	<u>(53,261)</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)

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

For the year ended December 31, 2017

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2017 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Collection and Transmission Expenses				
Power purchased for pumping	\$ 2,500	\$ 2,500	\$ 2,820	\$ (320)
Operating supplies	2,500	2,500	5,168	(2,668)
Purchased services	2,000	2,000	3,698	(1,698)
Repairs and maintenance	3,500	3,500	1,031	2,469
Salaries	19,858	19,858	22,680	(2,822)
Employee health insurance	3,250	3,250	3,992	(742)
Payroll taxes	1,579	1,579	1,803	(224)
Total Collection and Transmission	<u>35,187</u>	<u>35,187</u>	<u>41,192</u>	<u>(6,005)</u>
Sewage Treatment Expenses				
Power purchased for pumping	9,600	9,600	17,540	(7,940)
Operating supplies	2,500	2,500	4,910	(2,410)
Purchased services	32,000	32,000	3,615	28,385
Repairs and maintenance	3,500	3,500	3,298	202
Salaries	19,858	19,858	22,678	(2,820)
Employee health insurance	3,250	3,250	3,992	(742)
Payroll taxes	1,579	1,579	1,803	(224)
Professional development	2,500	2,500	1,928	572
Total Sewage Treatment Expense	<u>74,787</u>	<u>74,787</u>	<u>59,764</u>	<u>15,023</u>
Administrative and General				
Auditing	8,600	8,600	8,568	32
Directors' fees and meeting expenses	9,000	9,000	7,400	1,600
Employee health insurance	17,873	17,873	15,930	1,943
Insurance	28,400	28,400	13,902	14,498
Miscellaneous	100	100	-	100
Office supplies	3,000	3,000	3,509	(509)
Payroll taxes	8,956	8,956	8,926	30
Postage	1,400	1,400	615	785
Printing, duplicating, etc.	2,750	2,750	3,129	(379)
Professional development	4,000	4,000	-	4,000
Professional services	11,700	11,700	5,131	6,569
Publications, dues	8,000	8,000	7,761	239
Rents	13,500	13,500	13,500	-
Salaries	112,596	112,596	112,272	324
Travel	5,720	5,720	2,118	3,602
Utilities	12,360	12,360	7,654	4,706
Total Administrative and General Expenses	<u>247,955</u>	<u>247,955</u>	<u>210,415</u>	<u>37,540</u>
Total Operating Expenses	<u>490,340</u>	<u>490,340</u>	<u>506,271</u>	<u>(15,931)</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)

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

For the year ended December 31, 2017

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2017 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Nonoperating Expenditures				
Treasurer's collection fees	\$ 2,300	\$ 2,300	\$ 2,193	\$ 107
Interest expense	39,711	39,711	37,659	2,052
Principle paid on other obligations	28,014	28,015	28,015	-
Principal paid on capital lease	24,340	24,340	25,788	(1,448)
Principal paid on DOLA loan	3,406	3,405	3,754	(349)
Capital outlay	<u>77,000</u>	<u>359,538</u>	<u>280,484</u>	<u>79,054</u>
Total Nonoperating Expenditures	<u>174,771</u>	<u>457,309</u>	<u>377,893</u>	<u>79,416</u>
Total Expenditures	<u>665,111</u>	<u>947,649</u>	<u>884,164</u>	<u>63,485</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(79,868)	(362,406)	(185,287)	177,119
Funds Available - Beginning of Year	<u>384,184</u>	<u>384,184</u>	<u>508,164</u>	<u>123,980</u>
Funds Available - End of Year	<u>\$ 304,316</u>	<u>\$ 21,778</u>	<u>\$ 322,877</u>	<u>\$ 301,099</u>

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

BUDGET RECONCILIATION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2017

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 698,877
Plus:	
Gain on sale of assets	-
Less:	
System development fees	<u>(87,200)</u>
Revenue (GAAP Basis)	<u>611,677</u>
Expenditures (Budgetary Basis)	884,164
Plus:	
Depreciation	181,492
Change in vacation/sick leave accrual	8,281
Less:	
Capital outlay	(280,484)
Principal payments	<u>(57,557)</u>
Expenditures (GAAP Basis)	<u>735,896</u>
Income (Loss) Before Capital Contribution	<u>\$ (124,219)</u>

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

SCHEDULES OF WATER OPERATING EXPENSES
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Source of Supply		
Depreciation	\$ 41,224	\$ 40,446
Power purchased for pumping	34,216	27,881
Operating supplies	2,335	2,055
Purchased services	6,494	9,119
Repairs and maintenance	609	2,636
Salaries and wages	23,402	17,912
Employee health insurance	3,992	3,204
Payroll taxes	<u>1,803</u>	<u>1,412</u>
Total Source of Supply	<u>114,075</u>	<u>104,665</u>
 Water Treatment Expense		
Operating supplies	3,030	3,501
Purchased services	3,265	3,456
Repairs and maintenance	1,806	2,050
Salaries and wages	23,402	17,912
Employee health insurance	3,992	3,204
Payroll taxes	<u>1,803</u>	<u>1,412</u>
Total Water Treatment Expense	<u>37,298</u>	<u>31,535</u>
 Transmission and Distribution Expense		
Depreciation	75,559	72,691
Bad debt expense	-	33
Operating supplies	3,041	2,263
Purchased services	3,302	2,236
Repairs and maintenance	51,382	22,824
Salaries and wages	23,402	17,912
Employee health insurance	3,992	3,204
Payroll taxes	<u>1,803</u>	<u>1,412</u>
Total Transmission and Distribution Expense	<u>162,481</u>	<u>122,575</u>
 Total Water Operating Expenses	 <u>\$ 313,854</u>	 <u>\$ 258,775</u>

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

SCHEDULES OF SEWAGE OPERATING EXPENSES
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Collection and Transmission Expenses:		
Depreciation	\$ 42,253	\$ 69,378
Power purchased for pumping	2,820	2,078
Operating supplies	5,168	2,023
Purchased services	3,698	3,811
Repairs and maintenance	1,031	2,606
Salaries and wages	23,403	17,911
Employee health insurance	3,992	3,204
Payroll taxes	<u>1,803</u>	<u>1,412</u>
Total Collection and Transmission Expenses	<u>84,168</u>	<u>102,423</u>
Sewage Treatment Expenses:		
Depreciation	10,276	35,797
Power purchased for pumping	17,540	10,798
Operating supplies	4,910	2,844
Professional development	1,928	706
Purchased services	3,615	18,320
Repairs and maintenance	3,298	1,892
Salaries and wages	23,402	17,911
Employee health insurance	3,992	3,205
Payroll taxes and other employee benefits	<u>1,803</u>	<u>2,118</u>
Total Sewage Treatment Expense	<u>70,764</u>	<u>93,591</u>
Total Sewage Operating Expenses	<u>\$ 154,932</u>	<u>\$ 196,014</u>

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

SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Administration and General:		
Auditing	\$ 8,568	\$ 8,357
Depreciation	12,180	8,249
Directors' fees and meeting expenses	7,400	7,000
Election	-	58
Employee health insurance	15,930	16,085
Insurance	13,902	13,789
Miscellaneous	-	-
Office supplies	3,433	6,891
Operating supplies	76	19
Payroll taxes	8,926	8,499
Postage	615	570
Printing, duplicating, etc.	3,129	2,519
Professional development	-	400
Professional services	5,131	8,175
Publications, dues	7,761	6,227
Rents	13,500	13,500
Salaries and wages	116,935	107,719
Travel	2,118	1,295
Utilities	<u>7,654</u>	<u>14,800</u>
Total Administrative and General Expenses	<u>\$ 227,258</u>	<u>\$ 224,152</u>

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