

AUDITED FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
WESTCLIFFE, COLORADO
December 31, 2018 and 2017

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Independent Auditor's Report

September 4, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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.

Garren, Ross & DeNardo, Inc.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2018, 2017 and 2016

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, 2018. 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, 2018, 2017 and 2016**

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

	2018	2017	2016
Assets			
Current Assets	\$ 424,454	\$ 375,139	\$ 558,967
Capital assets, net of accumulated depreciation	<u>3,935,207</u>	<u>3,720,217</u>	<u>3,621,224</u>
Total Assets	<u>\$ 4,359,661</u>	<u>\$ 4,095,356</u>	<u>\$ 4,180,191</u>
Liabilities			
Current liabilities	\$ 93,661	\$ 86,904	\$ 74,302
Noncurrent liabilities	<u>740,582</u>	<u>603,310</u>	<u>662,573</u>
Total Liabilities	<u>\$ 834,243</u>	<u>\$ 690,214</u>	<u>\$ 736,875</u>
 Deferred Inflows of Resources	 <u>\$ 42,790</u>	 <u>\$ 42,737</u>	 <u>\$ 43,892</u>
 Net Position			
Capital assets, net of related debt	\$ 3,126,547	\$ 3,057,255	\$ 2,900,704
Restricted for emergency	20,400	20,400	18,000
Unrestricted	<u>335,681</u>	<u>284,750</u>	<u>480,720</u>
Total Net Position	<u>\$ 3,482,628</u>	<u>\$ 3,362,405</u>	<u>\$ 3,399,424</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2018, 2017 and 2016

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Operating revenues:			
Water sales	\$ 380,692	\$ 320,600	\$ 318,030
Sewer charges	363,384	209,303	208,878
Tap connection fees -- water	7,360	13,000	5,150
Tap connection fees – sewer	4,540	8,800	4,900
Other (rents, penalties, misc. charges)	6,604	6,435	6,345
Non-operating revenues:			
General property tax	42,907	44,089	40,541
Specific ownership tax	6,528	6,366	5,516
Gain (loss) on disposal of assets	-	-	1,250
State/federal grants	16,000	1,631	798
Interest income	918	1,453	1,695
Total Revenues	<u>828,933</u>	<u>611,677</u>	<u>593,103</u>
Expenses			
Operating expenses:			
Water operations	182,484	197,071	145,638
Sewer operations	111,313	102,403	90,839
Admin & general	239,168	215,078	215,903
Water system depreciation	108,712	116,783	113,137
Sewer system depreciation	50,809	52,529	105,175
Admin & general depreciation	16,287	12,180	8,249
Non-operating expenses:			
County Treasurer's collection fees	2,135	2,193	2,018
Interest expense	42,902	37,659	39,402
Total expenses	<u>753,810</u>	<u>735,896</u>	<u>720,361</u>
Income (loss) before contributions	75,123	(124,219)	(127,258)
Capital contributions, net of rebates	45,100	87,200	26,893
Change in net income	<u>120,223</u>	<u>(37,019)</u>	<u>(100,365)</u>
Net position -- beginning of year	3,362,405	3,399,424	3,499,789
Net position -- end of year	<u>\$ 3,482,628</u>	<u>\$ 3,362,405</u>	<u>\$ 3,399,424</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2018, 2017 and 2016**

Actual vs. Budget

	Actual on Budgetary Basis	Budget	Variance Favorable (Unfavorable)
REVENUE			
Water revenue	\$ 380,692	\$ 311,050	\$ 69,642
Sewage revenue	363,384	310,250	53,134
Connection charges (20% of tap fee)	11,900	3,880	8,020
System Development Fees:			
Plant investment charges (80% of tap fee)	45,100	14,200	30,900
Interest income	918	1,000	(82)
Property and SO tax collections	49,435	48,337	1,098
Grant income	16,000	-	16,000
Gain on sale of assets	-	100	(100)
Other income	6,604	5,650	954
TOTAL REVENUES	874,033	694,467	179,566
EXPENDITURES			
Water system	182,186	166,488	(15,698)
Sewage system	111,114	231,924	120,810
Administration	240,552	239,203	(1,349)
Treasurer's collection fees	2,135	2,300	165
Interest expense	42,902	39,711	(3,191)
Principal payments on notes, bonds & capital lease	63,203	55,761	(7,442)
Capital outlay	390,798	94,000	(296,798)
TOTAL EXPENDITURES	1,032,890	829,387	(203,503)
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES (BUDGETARY BASIS)	\$ (158,857)	\$ (134,920)	\$ (23,937)

**MANAGEMENT’S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2018, 2017 and 2016**

HIGHLIGHTS OF THE STATEMENT OF NET POSITION

Current assets (\$424,454 in 2018) consist of cash, accounts receivable, property tax receivable, supply inventory, and prepaid insurance. This figure is \$49,315 more than in 2017. The increase in current assets is mostly due to more cash reserves and an increase in accounts receivable 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 2017 to 2018 is \$214,990 – being the 2018 net capital improvements of \$390,798 less the 2018 depreciation expense of \$175,808.

Capital projects and improvements during 2018 consisted of the following:

• Water wells, pumping and treatment improvements	\$ -
• Water transmission and distribution	\$ 24,527
• Sewer collection and transmission	\$ 1,176
• Sewer treatment plant	\$ 149,775
• Machinery, equipment, office equipment	\$ 2,504
• Property-future development	\$ 212,816

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 \$6,757 increase in current liabilities is primarily due to the increase in accounts payable and accrued compensated absences.

Noncurrent liabilities (\$740,582) at 12-31-18 are as follows:

- \$457,974 balance payable (net of \$29,557 current maturities) on a capital lease secured by the Johnson Place ranch. See footnotes, pages 12-13.
- \$54,668 balance payable (net of \$4,139 current maturities) on a note payable with DOLA used for assistance in drilling a new water supply well. See footnotes, pages 13.
- \$199,090 balance payable (net of \$6,367 current maturities) on a note payable with First State Bank of Colorado for the purchase of a property for future development. See footnotes, page 13.
- \$28,850 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 increased \$137,272 from 2017 to 2018. This is due to the net of new financing less payment of principal payments on the notes.

The District’s **total net position** at the close of the 2018 fiscal year was \$3,482,628, an increase of \$120,223. Of this amount, \$335,681 (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, 2018, 2017 and 2016**

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 2017 to 2018, others showed decreases. The following are partial, but significant features of the overall \$204,442 increase in combined operating revenue:

- Service charges and bulk water sales increased \$ 204,273
- Other operating income up 169

Expenses – Combined operating expenses increased by \$17,103 from 2017 to 2018. 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>2018</u>	<u>2017</u>	<u>2016</u>
System development / plant investment fees (80% of each tap fee, less rebates to developers)	\$ 47,600	\$ 87,200	\$ 17,700
Facilities built by developers and turned over to the District for operation and maintenance	\$ 2,500	\$ -	\$ 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 20 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 \$122,776 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 \$38,920. The District had budgeted selling 2 new taps, and 6 water and sewer tap combinations were purchased in 2018. **Capital expenditures** were over budget by \$296,798.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2018, 2017 and 2016**

HIGHLIGHTS OF THE ACTUAL VS. BUDGET (Continued)

Earnings on deposits and investments were \$82 under budget, a result of no changes in interest rates, and a fluctuation of cash invested during the year.

Water and sewer system expenses were under budget by \$105,112. Administration costs were over budget by \$1,349.

The actual vs. budget accounting reflects a unfavorable \$23,937 excess of revenue over expense, the budget assumed revenue for system development. Total expenditures were over the \$829,387 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
The 2019 property tax levy will be 2.499 mills applied to a 2018 assessed valuation of \$17,122,780

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?

The District intends to have a rate study performed during the January – March 2020 period to review necessary rate increases to fund the various activities of the enterprises, and their necessary capital improvements and associated operational expenses. This study was originally planned for 2018, but due to necessary changes to the treatment process design necessitated by changes to effluent discharge location for the wastewater treatment plant.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2018, 2017 and 2016**

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, 2019. 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, 2020.

Initial rate increases necessary to fund the planning and design of the new treatment system have been completed. Grant commitments have been received totaling \$3.2 million of the estimated \$6 million construction. The balance of the project will be funded through loan commitments received by the District.

Water Enterprise

Planning for the replacement of the Smith water supply well has made a step forward with the Board agreeing to hire SGM Engineers to begin work on the necessary preliminary information and design work during October 2019 through March 2020 time period.

Additionally, the recent drought has shown the necessity to begin the planning for the construction of the water storage reservoir upstream of the Gallery Water Supply Well, to insure availability of augmentation water during severe drought periods. Initial discussion with the Upper Arkansas Water Conservancy District have begun to insure future water availability as well as potential partnerships for the construction and operation of reservoir storage.

Dry-up of the Johnson Place Ranch has moved forward with the acceptance of the majority of the remaining area proven as dried up to the State Water Engineer's Office. There remains approximately 70 acres of the ranch that remain in dispute, with piezometers being installed in 2019 to determine the amount of potential sub-irrigation. These piezometers will be left in place for several years to gain information on the groundwater levels. At the end of this period a final determination on dry-up will be made. At this time, it is anticipated that sale of the Johnson Place could be begun at any time, as long as appropriate easements for the District's flow monitoring and piezometer placement be a part of any sale. No water rights will be sold with the property.

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and equivalents	\$ 241,982	\$ 210,920
Receivables		
Accounts receivable	74,491	52,170
Property tax	42,790	42,737
Interest	-	21
Inventories	42,149	48,574
Prepaid expenses	23,042	20,717
Total Current Assets	<u>424,454</u>	<u>375,139</u>
Noncurrent Assets		
Capital assets, net of accumulated depreciation	<u>3,935,207</u>	<u>3,720,217</u>
Total Assets	<u>\$ 4,359,661</u>	<u>\$ 4,095,356</u>
 Liabilities		
Current Liabilities		
Accounts payable	\$ 8,515	\$ 10,012
Accrued interest	3,683	2,967
Accrued compensated absences	13,385	14,272
Notes payable - current maturities	10,506	3,942
Capital leases	29,557	27,696
Other obligations	28,015	28,015
Total Current Liabilities	<u>93,661</u>	<u>86,904</u>
Noncurrent Liabilities		
Notes payable	253,758	58,808
Capital leases	457,974	487,638
Other obligations	28,850	56,864
Total Noncurrent Liabilities	<u>740,582</u>	<u>603,310</u>
Total Liabilities	<u>834,243</u>	<u>690,214</u>
Deferred Inflows of Resources		
Unavailable revenue - property tax	<u>42,790</u>	<u>42,737</u>
Net Position		
Invested in capital assets, net of related debt	3,126,547	3,057,255
Restricted for emergency	25,200	20,400
Unrestricted	330,881	284,750
Total Net Position	<u>\$ 3,482,628</u>	<u>\$ 3,362,405</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Water charges	\$ 380,692	\$ 320,600
Sewage charges	363,384	209,303
Tap connection fees	11,900	21,800
Other operating income	<u>6,604</u>	<u>6,435</u>
Total Operating Revenues	<u>762,580</u>	<u>558,138</u>
Operating Expenses		
Water operating expenses		
Source of supply	125,979	114,075
Water treatment	41,163	37,298
Transmission and distribution	124,054	162,481
Sewage operating expenses		
Collection and transmission	89,397	84,168
Sewage treatment	72,725	70,764
Administrative and general	<u>255,455</u>	<u>227,258</u>
Total Operating Expenses	<u>708,773</u>	<u>696,044</u>
Net Operating Income (Loss)	<u>53,807</u>	<u>(137,906)</u>
Nonoperating Revenue (Expenses)		
General property tax	42,907	44,089
Specific ownership tax	6,528	6,366
Interest income	918	1,453
Federal and state grants	16,000	1,631
Gain (loss) on disposal of assets	-	-
Interest expense	(42,902)	(37,659)
Treasurer's collection fees	<u>(2,135)</u>	<u>(2,193)</u>
Total Nonoperating Revenues (Expenses)	<u>21,316</u>	<u>13,687</u>
Income (Loss) Before Capital Contributions	<u>75,123</u>	<u>(124,219)</u>
Capital Contributions		
System development fees	45,100	87,200
Capital grants	<u>-</u>	<u>-</u>
Total Capital Contributions	<u>45,100</u>	<u>87,200</u>
Net Income (Loss)	120,223	(37,019)
Total Net Position - Beginning	<u>3,362,405</u>	<u>3,399,424</u>
Total Net Position - Ending	<u>\$ 3,482,628</u>	<u>\$ 3,362,405</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 740,259	\$ 564,889
Cash payments to suppliers for goods and services	(294,516)	(281,723)
Cash payments to employees for services	<u>(236,733)</u>	<u>(225,665)</u>
Net Cash Provided by Operating Activities	<u>209,010</u>	<u>57,501</u>
Cash Flows From Noncapital Financing Activities		
Cash received from property tax	49,435	50,455
Cash paid for treasurer's fees	<u>(2,135)</u>	<u>(2,193)</u>
Net Cash Provided by Noncapital Financing Activities	<u>47,300</u>	<u>48,262</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(390,798)	(280,485)
Capital grant received	16,000	1,631
Proceeds from notes	208,900	-
Principal paid on short-term/long term notes	(7,385)	(3,754)
Principal paid on capital lease payable	(27,803)	(25,788)
Principal paid on other obligations	(28,015)	(28,015)
Interest paid on short-term note and long term debt	(42,186)	(37,914)
System development fees collected - net of rebates	<u>45,100</u>	<u>87,200</u>
Net Cash Used by Capital and Related Financing Activities	<u>(226,187)</u>	<u>(287,125)</u>
Cash Flows From Investing Activities		
Interest income	<u>939</u>	<u>1,453</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,062	(179,909)
Cash and Cash Equivalents - Beginning	<u>210,920</u>	<u>390,829</u>
Cash and Cash Equivalents - Ending	<u>\$ 241,982</u>	<u>\$ 210,920</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 53,807	\$ (137,906)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	175,808	181,492
(Increase) decrease in:		
Accounts receivable	(22,321)	6,751
Inventory	6,425	(411)
Prepaid expense	(2,325)	(3,576)
Increase (decrease) in:		
Accounts payable	(1,497)	2,870
Compensated absences	(887)	8,281
Customer deposits	-	-
	-	-
Net Cash Provided by Operations	<u>\$ 209,010</u>	<u>\$ 57,501</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, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017 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, 2018 and 2017

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>2018</u>	<u>2017</u>
Current Portion	\$ 13,385	\$ 14,272
Long-term Portion	-	-
Total	\$ 13,385	\$ 14,272

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, 2018 and 2017, the additions to contributed capital - system development fees, net of rebates were \$45,100 and \$87,200, 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, 2018 and 2017

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 2018 or 2017.

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, 2018 and 2017, the District estimates its reserve requirement at \$25,200 and \$20,400, 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, 2018 and 2017

Note B - Stewardship, Compliance and Accountability (Continued)

Budget and Budgetary Data (Continued)

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

Expenditures in Excess of Budget Amounts

During the year ending December 31, 2018 the District incurred actual expenditures in excess of budgeted expenditures by \$203,503. Expenditures in excess of amounts budgeted and appropriated may be a violation of Colorado Local Government Budget Law.

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, 2018, 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	\$ 241,732	\$ 241,732	-
Petty cash	250	250	-
Total	\$ 241,982	\$ 241,982	\$ -

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2018 and 2017

Note C - 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.

The District had no such investments during the years ending December 31, 2018 or 2017.

Note D - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2018.

	Balance at 12-31-17	Additions	Deletions	Balance at 12-31-18
Land and land rights, etc.	\$ 1,558,734	\$ -	\$ -	\$ 1,558,734
General equipment	110,110	2,504	-	112,614
Office Furniture	68,696	-	-	68,696
Transportation equipment	83,705	-	-	83,705
Source of supply	855,853	-	-	855,853
Water transmission and distribution	2,481,647	24,527	-	2,506,174
Sewage treatment plant	580,808	149,775	-	730,583
Sewage collection and distribution	1,460,853	1,176	-	1,462,029
Property - Future development	-	212,816	-	212,816
Totals	\$ 7,200,406	\$ 390,798	\$ -	\$ 7,591,204
Less accumulated depreciation	<u>(3,480,189)</u>	<u>\$ 175,808</u>	<u>\$ -</u>	<u>(3,655,997)</u>
Net Capital Assets	\$ 3,720,217			\$ 3,935,207

Depreciation expense for the years ended December 31, 2018 and 2017 was \$175,808 and \$181,492, respectively. Accumulated depreciation for the years ended December 31, 2018 and 2017 was \$3,655,997 and \$3,480,189, respectively.

Note E - Property Taxes Receivable

Property taxes which have been levied for 2018 and will not be collected until 2019 have been recorded as a receivable at December 31, 2018. 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%.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2018 and 2017

Note F - Capital Lease (Continued)

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2018</u>	<u>Due Within One Year</u>
First State Bank of Colorado	\$ 515,334	\$ -	\$ 27,803	\$ 487,531	\$ 29,557

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

Future minimum lease payments are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 29,557	\$ 30,819	\$ 60,376
2020	31,537	28,840	60,377
2021	33,649	26,728	60,377
2022	35,903	24,474	60,377
2023	38,307	22,070	60,377
2024-2028	233,632	68,252	301,884
2029-2030	84,846	4,011	88,857
Total	<u>\$ 487,431</u>	<u>\$ 205,194</u>	<u>\$ 692,625</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, 2018:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2018</u>	<u>Due Within One Year</u>
System Improvements - note	\$ 62,749	\$ -	\$ 3,942	\$ 58,807	\$ 4,139
Property Purchase - note	-	208,900	3,443	205,457	6,367
	<u>\$ 62,749</u>	<u>\$ 208,900</u>	<u>\$ 7,385</u>	<u>\$ 264,264</u>	<u>\$ 10,506</u>

Debt outstanding as of December 31, 2018, consisted of the following:

Department of Local Affairs (DOLA)

Loan contract, June 11, 2009. The District received 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. Rate of interest is 5%. \$ 58,807

First State Bank of Colorado - Westcliffe Branch

Property purchase for future development - Note dated May 4, 2018, 59 monthly payments of \$1,416.80, with 1 balloon payment due May 4, 2023, interest rate of 5.25%. 205,457

Total Long-Term Debt \$ 264,264

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2018 and 2017

Note G - Long-Term Debt - (Continued)

The annual requirements to amortize the long-term debt as of December 31, 2018 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,506	\$ 13,575	\$ 24,081
2020	11,056	13,026	24,082
2021	11,634	12,447	24,081
2022	12,242	11,839	24,081
2023	182,892	5,911	188,803
2024-2028	29,192	6,207	35,399
2029	6,742	337	7,079
Total	<u>\$ 264,264</u>	<u>\$ 63,342</u>	<u>\$ 327,606</u>

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, 2018 are as follows:

<u>Year Ending December 31</u>	
2019	\$ 28,015
2020	<u>28,850</u>
Total	<u>\$ 56,865</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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2018 and 2017

Note I - Insurance Pool (Continued)

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>2018</u>	<u>2017</u>
Assets	\$ <u>63,918,422</u>	\$ <u>56,602,888</u>
Liabilities	\$ 39,345,647	\$ 30,815,521
Equity	<u>24,572,775</u>	<u>25,787,367</u>
	<u>\$ 63,918,422</u>	<u>\$ 56,602,888</u>
Revenues	\$ 20,983,559	\$ 20,082,198
Expenses	<u>22,973,705</u>	<u>18,721,378</u>
Excess of revenues over (under) expenses	<u>\$ (1,990,146)</u>	<u>\$ 1,360,820</u>

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, 2018 and 2017, the District has reserved \$25,200 and \$20,400, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2018 and 2017

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, expired September 30, 2016 and extended another one year through September 30, 2017. Currently, rent is paid month to month. The monthly rental payment was \$1,060 through September 30, 2015 and \$1,125 through September 30, 2016. Rent expense for the years ended December 31, 2018 and 2017 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, 2018

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2018 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues				
Water charges	\$ 311,050	\$ 311,050	\$ 380,692	\$ 69,642
Sewer charges	310,250	310,250	363,384	53,134
Tap connection fees	3,880	3,880	11,900	8,020
Other operating income	<u>5,650</u>	<u>5,650</u>	<u>6,604</u>	<u>954</u>
Total Revenues	<u>630,830</u>	<u>630,830</u>	<u>762,580</u>	<u>131,750</u>
Nonoperating Revenues				
General property tax	42,737	42,737	42,907	170
Specific ownership tax	5,600	5,600	6,528	928
Interest income	1,000	1,000	918	(82)
Federal grant	-	-	16,000	16,000
Gain on sale of assets	100	100	-	(100)
System Development fees	<u>14,200</u>	<u>14,200</u>	<u>45,100</u>	<u>30,900</u>
Total Nonoperating Revenues	<u>63,637</u>	<u>63,637</u>	<u>111,453</u>	<u>47,816</u>
Total Revenues	<u>694,467</u>	<u>694,467</u>	<u>874,033</u>	<u>179,566</u>
Operating Expenses				
Source of Supply				
Power purchased for pumping	30,000	30,000	34,581	(4,581)
Operating supplies	2,500	2,500	1,194	1,306
Purchased services	5,000	5,000	17,448	(12,448)
Repairs and maintenance	4,000	4,000	57	3,943
Salaries	31,025	31,025	24,214	6,811
Employee health insurance	3,422	3,422	5,236	(1,814)
Payroll taxes	<u>1,599</u>	<u>1,599</u>	<u>1,925</u>	<u>(326)</u>
Total Source of Supply	<u>77,546</u>	<u>77,546</u>	<u>84,655</u>	<u>(7,109)</u>
Water Treatment Expense				
Operating supplies	3,100	3,100	2,436	664
Professional development	-	-	1,140	(1,140)
Purchased services	2,000	2,000	2,995	(995)
Repairs and maintenance	3,500	3,500	3,117	383
Salaries	31,025	31,025	24,314	6,711
Employee health insurance	3,422	3,422	5,137	(1,715)
Payroll taxes	<u>1,599</u>	<u>1,599</u>	<u>1,925</u>	<u>(326)</u>
Total Water Treatment Expense	<u>44,646</u>	<u>44,646</u>	<u>41,064</u>	<u>3,582</u>
Transmission and Distribution Expense				
Operating supplies	2,250	2,250	7,877	(5,627)
Purchased services	2,500	2,500	4,253	(1,753)
Repairs and maintenance	3,500	3,500	12,961	(9,461)
Salaries	31,025	31,025	24,215	6,810
Employee health insurance	3,422	3,422	5,236	(1,814)
Payroll taxes	<u>1,599</u>	<u>1,599</u>	<u>1,925</u>	<u>(326)</u>
Total Transmission and Distribution	<u>44,296</u>	<u>44,296</u>	<u>56,467</u>	<u>(12,171)</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2018 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Collection and Transmission Expenses				
Power purchased for pumping	\$ 2,500	\$ 2,500	\$ 1,969	\$ 531
Operating supplies	2,500	2,500	7,899	(5,399)
Purchased services	2,000	2,000	4,421	(2,421)
Repairs and maintenance	3,500	3,500	2,281	1,219
Salaries	31,025	31,025	24,214	6,811
Employee health insurance	3,422	3,422	5,236	(1,814)
Payroll taxes	1,599	1,599	1,925	(326)
Total Collection and Transmission	<u>46,546</u>	<u>46,546</u>	<u>47,945</u>	<u>(1,399)</u>
Sewage Treatment Expenses				
Power purchased for pumping	15,732	15,732	17,798	(2,066)
Operating supplies	3,100	3,100	7,567	(4,467)
Purchased services	122,000	122,000	3,964	118,036
Repairs and maintenance	3,500	3,500	7	3,493
Salaries	31,025	31,025	24,214	6,811
Employee health insurance	3,422	3,422	5,236	(1,814)
Payroll taxes	1,599	1,599	1,925	(326)
Professional development	5,000	5,000	2,458	2,542
Total Sewage Treatment Expense	<u>185,378</u>	<u>185,378</u>	<u>63,169</u>	<u>122,209</u>
Administrative and General				
Auditing	8,600	8,600	8,602	(2)
Directors' fees and meeting expenses	9,000	9,000	10,100	(1,100)
Election	4,000	4,000	75	3,925
Employee health insurance	18,823	18,823	17,344	1,479
Insurance	18,400	18,400	17,560	840
Miscellaneous	100	100	81	19
Office supplies	3,000	3,000	6,392	(3,392)
Payroll taxes	9,008	9,008	9,195	(187)
Postage	1,400	1,400	817	583
Printing, duplicating, etc.	3,750	3,750	3,991	(241)
Professional development	4,000	4,000	2,205	1,795
Professional services	11,700	11,700	8,228	3,472
Publications, dues	8,000	8,000	7,489	511
Rents	13,500	13,500	13,500	-
Salaries	113,258	113,258	115,661	(2,403)
Travel	5,720	5,720	5,371	349
Utilities	6,944	6,944	13,941	(6,997)
Total Administrative and General Expenses	<u>239,203</u>	<u>239,203</u>	<u>240,552</u>	<u>(1,349)</u>
Total Operating Expenses	<u>637,615</u>	<u>637,615</u>	<u>533,852</u>	<u>103,763</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>2018 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Nonoperating Expenditures				
Treasurer's collection fees	\$ 2,300	\$ 2,300	\$ 2,135	\$ 165
Interest expense	39,711	39,711	42,902	(3,191)
Principle paid on other obligations	28,015	28,015	28,015	-
Principal paid on capital lease	24,340	24,340	27,803	(3,463)
Principal paid on DOLA loan	3,406	3,406	7,385	(3,979)
Capital outlay	<u>94,000</u>	<u>94,000</u>	<u>390,798</u>	<u>(296,798)</u>
Total Nonoperating Expenditures	<u>191,772</u>	<u>191,772</u>	<u>499,038</u>	<u>(307,266)</u>
Total Expenditures	<u>829,387</u>	<u>829,387</u>	<u>1,032,890</u>	<u>(203,503)</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(134,920)	(134,920)	(158,857)	(23,937)
Funds Available - Beginning of Year	<u>198,277</u>	<u>198,277</u>	<u>322,877</u>	<u>124,600</u>
Funds Available - End of Year	<u>\$ 63,357</u>	<u>\$ 63,357</u>	<u>\$ 164,020</u>	<u>\$ 100,663</u>

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

BUDGET RECONCILIATION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2018

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 874,033
Plus:	
Gain on sale of assets	-
Less:	
System development fees	<u>(45,100)</u>
Revenue (GAAP Basis)	<u>828,933</u>
Expenditures (Budgetary Basis)	1,032,890
Plus:	
Depreciation	175,808
Less:	
Change in vacation/sick leave accrual	(887)
Capital outlay	(390,798)
Principal payments	<u>(63,203)</u>
Expenditures (GAAP Basis)	<u>753,810</u>
Income (Loss) Before Capital Contribution	<u>\$ 75,123</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Source of Supply		
Depreciation	\$ 41,224	\$ 41,224
Power purchased for pumping	34,581	34,216
Operating supplies	1,194	2,335
Purchased services	17,448	6,494
Repairs and maintenance	57	609
Salaries and wages	24,314	23,402
Employee health insurance	5,236	3,992
Payroll taxes	<u>1,925</u>	<u>1,803</u>
Total Source of Supply	<u>125,979</u>	<u>114,075</u>
 Water Treatment Expense		
Operating supplies	2,436	3,030
Professional development	1,140	-
Purchased services	2,995	3,265
Repairs and maintenance	3,117	1,806
Salaries and wages	24,314	23,402
Employee health insurance	5,236	3,992
Payroll taxes	<u>1,925</u>	<u>1,803</u>
Total Water Treatment Expense	<u>41,163</u>	<u>37,298</u>
 Transmission and Distribution Expense		
Depreciation	67,488	75,559
Operating supplies	7,877	3,041
Purchased services	4,253	3,302
Repairs and maintenance	12,961	51,382
Salaries and wages	24,314	23,402
Employee health insurance	5,236	3,992
Payroll taxes	<u>1,925</u>	<u>1,803</u>
Total Transmission and Distribution Expense	<u>124,054</u>	<u>162,481</u>
 Total Water Operating Expenses	 <u>\$ 291,196</u>	 <u>\$ 313,854</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Collection and Transmission Expenses:		
Depreciation	\$ 41,352	\$ 42,253
Power purchased for pumping	1,969	2,820
Operating supplies	7,899	5,168
Purchased services	4,421	3,698
Repairs and maintenance	2,281	1,031
Salaries and wages	24,314	23,403
Employee health insurance	5,236	3,992
Payroll taxes	<u>1,925</u>	<u>1,803</u>
Total Collection and Transmission Expenses	<u>89,397</u>	<u>84,168</u>
 Sewage Treatment Expenses:		
Depreciation	9,457	10,276
Power purchased for pumping	17,798	17,540
Operating supplies	7,567	4,910
Professional development	2,458	1,928
Purchased services	3,964	3,615
Repairs and maintenance	7	3,298
Salaries and wages	24,313	23,402
Employee health insurance	5,236	3,992
Payroll taxes and other employee benefits	<u>1,925</u>	<u>1,803</u>
Total Sewage Treatment Expense	<u>72,725</u>	<u>70,764</u>
Total Sewage Operating Expenses	<u>\$ 162,122</u>	<u>\$ 154,932</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Administration and General:		
Auditing	\$ 8,602	\$ 8,568
Depreciation	16,287	12,180
Directors' fees and meeting expenses	10,100	7,400
Election	75	-
Employee health insurance	17,344	15,930
Insurance	17,560	13,902
Miscellaneous	81	-
Office supplies	6,087	3,433
Operating supplies	305	76
Payroll taxes	9,195	8,926
Postage	817	615
Printing, duplicating, etc.	3,991	3,129
Professional development	2,205	-
Professional services	8,228	5,131
Publications, dues	7,489	7,761
Rents	13,500	13,500
Salaries and wages	114,277	116,935
Travel	5,371	2,118
Utilities	<u>13,941</u>	<u>7,654</u>
Total Administrative and General Expenses	<u>\$ 255,455</u>	<u>\$ 227,258</u>

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