

ROARING FORK WATER AND
SANITATION DISTRICT

Financial Statements and Independent
Auditor's Report

December 31, 2019

Roaring Fork Water & Sanitation District
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ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2019

The Roaring Fork Water & Sanitation District offers the readers of the District's financial statements this narrative overview and analysis of the District's financial activities during the fiscal year ending December 31, 2019.

FINANCIAL STATEMENT OVERVIEW

The audited financial statements of the District can be found on pages 6 through 18. These provide information about the District's financial position as of December 31, 2019, its results of operations and the resulting cash flows for the year as well as information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Following is an explanation of each of the audited financial statements of the District that you will find on the succeeding pages.

Statement of Net Position: Provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (Net Position).

Statement of Revenues, Expenses, and Changes in Net Position: Provides information about the District's annual operating activities and how they have affected Net Position.

Statement of Cash Flows: Provides an analysis of the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

Notes to the Financial Statement: Provides additional, required disclosures about the District's accounting policies, deposits, investments, risk management, long-term debt, and other required information.

Schedule of Revenues, Expenses, and Net Position - Budget and Actual: Provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities.

CONDENSED ENTITY FINANCIAL INFO

Statement of Net Position

	2019	2018	Change
Assets			
Current Assets	\$ 2,857,252	\$ 5,667,582	\$ (2,810,330)
Non-Current Assets	9,379,531	5,963,272	3,416,259
Total Assets	<u>12,236,783</u>	<u>11,630,854</u>	<u>605,929</u>
Liabilities			
Current Liabilities	328,273	130,623	197,650
Non-Current Liabilities	1,626,692	1,676,792	(50,100)
Total Liabilities	<u>1,954,965</u>	<u>1,807,415</u>	<u>147,550</u>
Deferred Inflow fo Resources			
Property taxes	347,033	353,490	(6,457)
Net Position	<u>\$ 9,934,785</u>	<u>\$ 9,469,949</u>	<u>\$ 464,836</u>

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2019

Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018
Operating Revenue	\$ 689,778	\$ 697,190
Operating Expense	822,762	832,438
Operating Income (Loss)	(132,984)	(135,248)
Non-Operating Revenue	597,820	919,334
Change in Net Position	464,836	784,086
Net Position - Beginning of Year	9,469,949	8,685,863
Net Position - End of Year	\$ 9,934,785	\$ 9,469,949

ANALYSIS OF OVERALL FINANCIAL POSITION

- Net Position increased in 2019 by \$464,836 to \$9,934,785. This is a result of an operating loss of \$132,984 plus non-operating revenues of \$597,820. This amount has been designated by the Board for future capital projects.
- Unrestricted cash and cash equivalents of the District at December 31, 2019, totaled \$2,495,235
- The District funds its operating expenses from service fees and other miscellaneous income. Property taxes are used to supplement the operations of the District. Property taxes, including specific ownership, collected for 2019 were \$386,593 and for 2018 was \$390,143. The decrease in operating revenue from 2018 to 2019 is due to decreased water usage by customers and decreased property taxes received.
- The District funds its capital projects through a portion of the water and sewer tap fees, interest income and existing reserve funds. Non-operating revenue for 2019 was \$321,514 less than 2018, which is largely due to a decrease in developer contributed systems.

BUDGET VARIANCE ANALYSIS

- Actual operating revenues in 2019 were \$167,273 more than the budgeted revenues for the District. This is due to increased Interest income, Plant Investment Fees and Ownership Taxes.
- Actual expenditures in 2019 were \$133,828 less than the budgeted expenditures for the District. This is largely due to the reduced repairs and maintenance and sludge disposal.

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2019

The 2019 budget was adopted in November 2018.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

In 2019, the District invested \$43,858 in asset upgrades and with the ongoing process of the plant expansion program has added \$3,623,974 to construction in process.

Long Term Debt

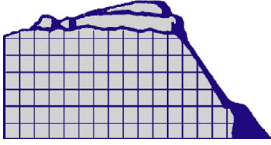
The District did not acquire any new debt in 2019. The District continues to repay the developers for the cost of the wholesale facilities through tap fees that are collected. In 2019, tap fees were collected from new customers; therefore, payments were made to Developers of \$50,100.

ANALYSIS OF CURRENTLY KNOWN FACTS

The District continues to monitor its growth in anticipation for necessary system upgrades. The District sets money aside each year for future replacement of the water and wastewater systems. In 2019, the District set aside \$85,221.

FINANCIAL CONTACT

The District's financial statements are designed to present users (service users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions concerning this report or need additional financial information, please contact the District management at Roaring Fork Water & Sanitation District, P.O. Box 1002, Glenwood Springs, CO 81602, or call 970-945-2144.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roaring Fork Water & Sanitation District
Glenwood Springs, Colorado

I have audited the accompanying financial statements of the business-type activities of Roaring Fork Water & Sanitation District as of and for the year ended December 31, 2019, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Roaring Fork Water & Sanitation District, as of December 31, 2019, and the respective changes in financial position and, cash flows thereof for the year 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 information on pages 1-3 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roaring Fork Water & Sanitation District's financial statements taken as a whole. The budgetary comparison information on page 18-19 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Paul D. Miller, CPA, LLC

Grand Junction, CO
April 13, 2019

Roaring Fork Water & Sanitation District
Statement of Net Position
December 31, 2019

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 195,932
Cash - Designated	2,299,303
Accounts Receivable:	
Customers (Net of \$0 allowance)	5,647
Accounts Receivable Other	2,549
Property Taxes	347,033
Prepaid Expenses:	
Other	5,766
Water Contracts	1,022
Total Current Assets	2,857,252

Noncurrent Assets:

Capital Assets, net of applicable accumulated depreciation	
Land and Improvements	306,389
Source of Supply	616,948
Water Treatment Plant & Distribution System	1,669,939
Sewer Treatment Plant & Distribution System	2,131,481
Equipment	162,633
CIP-Plant expansion	4,484,936
Furniture & Fixtures	7,205
Net Capital Assets	9,379,531

Total Assets

12,236,783

LIABILITIES

Current Liabilities:

Accounts Payable	322,323
Prepaid Service Fees	5,950
Total Current Liabilities	328,273

Noncurrent Liabilities

Customer Advance	25,000
Accounts Payable Developer - Water	895,268
Accounts Payable Developer-Sanitation	706,424
Total Noncurrent Liabilities	1,626,692

Total Liabilities

1,954,965

Deferred Inflow of Resources

Property taxes	347,033
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NET POSITION

Invested in Capital Assets	9,379,531
Restricted for Tabor Emergency	32,089
Unrestricted	523,165
Total Net Position	\$ 9,934,785

The Accompanying notes are an integral part of this financial statement.

Roaring Fork Water & Sanitation District
Statement of Revenues, Expenses & Changes in Net Position
For the year ended December 31, 2019

	Enterprise Funds		Totals
	Water	Sewer	
Operating Revenue:			
Charges for Services	\$ 335,276	\$ 350,205	\$ 685,481
Miscellaneous	2,124	2,173	4,297
Total Operating Revenue	<u>337,400</u>	<u>352,378</u>	<u>689,778</u>
Operating Expenses:			
Treatment	10,342	1,358	11,700
Source of Supply	7,837	-	7,837
Transmission, Collection and Distribution	4,766	59,879	64,645
Contractual Services	19,800	49,800	69,600
Utilities	20,382	44,307	64,689
Repairs and Maintenance	43,672	54,133	97,805
Depreciation	117,631	133,934	251,565
General and Administrative	127,460	127,461	254,921
Total Operating Expenses	<u>351,890</u>	<u>470,872</u>	<u>822,762</u>
Operating Income (Loss)	<u>(14,490)</u>	<u>(118,494)</u>	<u>(132,984)</u>
Non-Operating Revenue & (Expenses):			
Taxes:			
Property	180,313	180,312	360,625
Specific Ownership	12,706	12,706	25,412
Penalty & Interest on Taxes	278	278	556
Miscellaneous income	1,250	1,250	2,500
Interest Income	19,465	41,362	60,827
Total Non-Operating Revenues	<u>214,011</u>	<u>235,908</u>	<u>449,920</u>
Income (Loss) Before Capital Contributed	199,521	117,414	316,936
Plant Investment Fees	53,650	94,250	147,900
Change In Net Position	<u>\$ 253,171</u>	<u>\$ 211,664</u>	<u>464,836</u>
Net Position - Beginning of Year			9,469,949
Net Position - End of Year			<u>\$ 9,934,785</u>

The Accompanying notes are an integral part of this financial statement.

Roaring Fork Water & Sanitation District
Statement of Cash Flows
For the year ended December 31, 2019

Cash Flow from Operating Activities:	
Cash Received From Customers	\$ 698,785
Cash Paid to Suppliers	<u>(373,300)</u>
Net Cash Provided (Used) by Operating Activities	<u>325,485</u>
Cash Flows from Non-Capital Financing Activities:	
Taxes Received	<u>387,990</u>
Net Cash Provided (Used) by Non-Capital Activities	<u>387,990</u>
Cash Flows from Capital Financing Activities:	
Payment of Long-term debt	(50,100)
Non-operating Miscellaneous Income	2,500
Plant Investment Fees	147,900
Acquisition of Capital Assets	<u>(3,649,231)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(3,548,931)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>60,827</u>
Net Cash Provided (Used) by Investing Activities	<u>60,827</u>
Net Increase in Cash & Cash Equivalents	(2,774,630)
Cash & Cash Equivalents, January 1,	<u>5,269,864</u>
Cash & Cash Equivalents, December 31,	<u><u>\$ 2,495,235</u></u>
Reconciliation of Cash & Cash equivalents:	
Checking and Savings	<u>\$ 195,932</u>
Designated Cash & cash equivalents	
Water Reserve	204,164
Plant Expansion	1,041,677
Sewer Reserve	691,089
Water system Investment Fund	<u>362,373</u>
	<u>2,299,303</u>
	<u><u>\$ 2,495,235</u></u>
Reconciliation of Net Operating Income (Loss) to:	
Net Cash provided by (Used) by Operations:	
Net Income (Loss) from Operations	<u>\$ (132,984)</u>
Adjustments to Reconcile Net Income (Loss) to	
Net Cash Provided by (Used in) Operations	
Depreciation Expense	251,565
Decrease (Increase) in Customer Receivables	12,805
Decrease (Increase) in Prepaid Expenses	(3,551)
Increase (Decrease) in Accounts Payable	195,754
Increase (Decrease) in Prepaid Service Fees	1,896
Total Adjustments	<u>458,469</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 325,485</u></u>

The Accompanying notes are an integral part of this financial statement.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies of the Roaring Fork Water & Sanitation District (the District) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

FINANCIAL REPORTING ENTITY

The Roaring Fork Water & Sanitation District (the District) was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five member Board of Directors which is elected by the registered voters of the District. The purpose of the District is to provide water and wastewater treatment services to the District's service area. The Board is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e. the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization governing body and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e. unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

BASIS OF PRESENTATIONS/BASIC FINANCIAL STATEMENTS

The basic financial statements include fund financial statements for a Proprietary Fund. The District is a special-purpose government engaged only in business-type activities. For these governments, only enterprise fund financial statements are presented.

The accounts of the District are organized and operated on a fund basis. The operations are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, Net Position, revenues, and expenses.

The focus of proprietary fund measurement is a determination of operating income, changes in the Net Position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector, the District's Enterprise Fund is a proprietary fund type. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATIONS/BASIC FINANCIAL STATEMENTS-continued

net revenues, (b) has third-party requirements that cost of providing services including capital costs, be recovered with fees and charges, or (c) has a pricing policy designed for the fees and charges of record similar costs.

Proprietary Fund *operating revenue and expenses* are related to providing management and operational services within the District. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non-operating revenues and expenses.

BASIS OF ACCOUNTING

The Proprietary Fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property and specific ownership taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

CAPITAL ASSETS

The fund of the District is accounted for on a cost of service or “capital maintenance” measurement focus. This means that all assets and all liabilities associated with the activity of the District are included on the balance sheet. Equipment and property that cost \$1,000 or more and has a minimum life of two years is recorded at cost. Depreciation of all fixed assets is charged as an expense against operations. Depreciation is provided over estimated useful lives of 5-40 years using the straight-line method. Repairs and maintenance expense is charged to expense as incurred while significant betterments and replacements are recorded as increases to equipment. As assets are retired or disposed of, the cost and associated accumulated depreciation are removed from the accounts, and gains or losses on the sale or disposal are included in income.

BUDGETS AND BUDGETARY ACCOUNTING

The District uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to October 15, the District's Secretary, or other qualified person appointed by the Board, submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A “Notice of Budget” is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the County Commissioners.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS AND BUDGETARY ACCOUNTING-continued

4. On or before December 31, the Board shall pass an annual appropriating ordinance in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. The budget for the fund is adopted on a basis consistent with state statutes for governmental units, which provides that debt principal payments and capital outlay are treated as expenditures.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

The District legally adopted its annual budget for 2019.

FAIR VALUE OF FINANCIAL INSTRUMENTS

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires disclosures of fair value information about financial instruments. The District has a number of financial instruments, including cash and equivalents, receivables, accounts payable, and notes payable, none of which are held for trading purposes. The District estimates that the fair value of its financial instruments at December 31, 2019, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of Net Position.

USE ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

CUSTOMER ACCOUNTS RECEIVABLE

The District considers customer accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment. Accordingly, no allowance for doubtful accounts is required.

All service fees become a lien on property if not paid. All service fees were considered collectable at December 31, 2019.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

COMPENSATED ABSENCES

The District has no employees; therefore, there are no provisions for compensated absences

PROPERTY TAXES RECEIVABLE AND DEFERRED INFLOW OF RESOURCES

Property taxes are levied on December 15 and attached as an enforceable lien on property on January 1st of the following year. They may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without penalty or interest. Taxes which are not paid within the prescribed time bear interest at a rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Garfield County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31st. However, since the taxes are not available to pay current liabilities, the receivable is recorded as a deferred inflow of resources.

DESIGNATED ASSETS

Certain cash amounts have been designated to reflect tap payments and developer contributions that are being held for future capital improvements

DEVELOPER CONTRIBUTED FIXED ASSETS

The Developer donated fixed assets are valued at their estimated fair market value when the system is turned over to the District. At this point, the District is responsible to maintain the systems.

LONG-TERM OBLIGATIONS

Long-term obligation of the District consists of two account payables related to reimbursement of tap fees to developers.

SUBSEQUENT EVENTS

Management has reviewed subsequent events through the date of the audit report.

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows for the proprietary fund, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

RESTRICTED ASSETS/RESERVATIONS OF FUND BALANCES

Assets are reported as restricted when limitation on their use changes the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Reservations of fund balance arise from certain Board designations of fund balance, as well as the aforementioned constraints. It is the District's policy to use restricted funds for expenditures for which both restricted and unrestricted funds are available.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 2 - DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102% of the uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations secured by first lien mortgages on real property located in the state. PDPA allows the institutions 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 uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

On December 31, 2019, the District's bank deposits (Checking and Money Market) were covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statutes and had bank balances in the amount of \$1,453,558 of which \$250,000 was covered by FDIC and \$1,203,558 by PDPA as describe above.

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest and include:

Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation), the Federal Farm Credit Bank, the Federal Land Bank, the Export-Import Bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank;

General obligation and revenue bonds of U.S. local government entities, the District of Columbia, the territorial possessions of the U.S. rated in the highest two rating categories by two or more of the nationally recognized rating agencies;

Bankers' acceptances of certain banks;

Certain securities lending agreements;

Commercial paper;

Written repurchase agreements collateralized by certain authorized securities;

Certain money market funds;

Guaranteed investment contracts;

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 2 – DEPOSITS -continued

Local government investment pools; and

The investing local government's own securities including certificates of participation and lease obligations.

Total Cash and Cash Equivalents

A summary of the District's cash and investments on December 31, 2019 is as follows:

Checking	<u>\$ 1,453,558</u>
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Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, Deposits and Investment Risk Disclosures, are included in the notes below.

The concentration of credit risk, or risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount the District may invest in any one issuer; however, the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government or insured by the Public Depository Protection Act and therefore are not subject to concentration of credit risk

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2019, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk on December 31, 2019.

NOTE 3 - INVESTMENTS

At year-end, the District had invested \$1,041,677 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. This pool is not required to and is not registered with the SEC. COLOTRUST funds are rated AAA by Standard and Poor's, an AAR/V1+ from Fitch's and an Aaa from Moody's rating services. *ColoTrust is measured at Net Value Asset Value.*

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 4 – RISK ASSESSMENT

The District is exposed to various risks of loss related to property and casualty loss. The District joined with other Colorado Special Districts as a member of the Colorado Special Districts Property and Liability Pool.

The pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public official's liability, and equipment coverage to its members. The pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$2,000,000 plus an additional \$2,000,000 in an Umbrella rider.

The District pays annual premiums to the pool for liability and property insurance coverage. In the event aggregated losses incurred by the pool exceeded amounts recoverable from reinsurance contracts and funds accumulated by the pool, the pool may require additional contributions from members. Any excess funds that the pool determines are not needed for purposes of the pool may be returned to the members pursuant to a distribution formula

NOTE 5 – LONG-TERM LIABILITIES

Accounts Payable to Developer:

The District has agreements with the several developers to reimburse the costs of construction and installation of the sewer and water systems.

TAP FEE REIMBURSEMENT - DOMESTIC WATER:

The District reimburses \$1,575 of each \$3,700 water tap received from customers to reimburse the developers of the respective subdivisions, or their successors, the cost of the wholesale water facilities for each subdivision until the cost of the wholesale water facilities is recovered by the developers to the best of the District's ability. Change in the amount payable was as follows:

Balance 12/31/18	\$ 914,168
Payment 2019	<u>18,900</u>
Balance 12/31/19	<u>\$ 895,268</u>

TAP FEE REIMBURSEMENT – SANITARY SEWER

The District reimburses \$3,900 of each \$6,500 sewer tap received from customers to the developer of the respective subdivision, or their successors, the cost of the wholesale sewer facilities for each subdivision until the cost of the wholesale sewer facilities is recovered by the developers to the best of the District's ability. Change in the amount payable was as follows:

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 5 – LONG-TERM LIABILITIES- continued

The change in the sewer agreement during 2019 is as follows:

Balance 12/31/18	\$ 737,624
Payment 2019	<u>31,200</u>
Balance 12/31/19	<u>\$ 706,424</u>

NOTE 6 – WATER RIGHTS

Water Rights

The District has received water rights in various ditches and wells from the developer of the District. The rights were either included in the purchase price of the original ranch property and have been subsequently estimated, or have been decreed through court action and the costs involved have been capitalized.

NOTE 7 - TABOR

In November 1992, Colorado voters approved Amendment 1 to the State Constitution, which is commonly known as the Taxpayers' Bill of Rights, or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprises".

The amendment defined the District's year ended December 31, 1996 as the initial base year for purposes of defining compliance with the amendment. Increases in revenues from one year to the next are limited by local growth and inflation. The amendment defines inflation and local growth. The District must refund excess income to taxpayers on some sort of reasonable basis unless the voters were to approve retention of the revenue.

The District believes that, since it has "De-Bruced," and is exempt from the provisions of the Tabor Amendment, as it is currently understood, it is in compliance with the law. Many of the provisions may not become fully understood without judicial review.

NOTE 8 – CONTRIBUTED CAPITAL

Contributed capital for 2019 consisted of plant investment fees (Tap Fees) of \$53,650 for water taps and \$94,250 for sewer taps.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2019

NOTE 9 – CAPITAL ASSETS

A summary of changes in fixed assets follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Land & Improvements	\$ 364,655	\$ -	\$ -	\$ 364,655
Source of Supply	1,129,504	81,067	-	1,210,571
Water Plant & Distribution	3,146,635	-	-	3,146,635
Sewer Plant & Distribution	4,405,450	-	-	4,405,450
Equipment	543,135	-	-	543,135
Furniture & Fixtures	30,880	-	-	30,880
Total	<u>9,620,259</u>	<u>81,067</u>	<u>-</u>	<u>9,701,326</u>
CIP System	898,177	3,623,973	37,215	4,484,935
Total Property, Plant & Equipment	<u>10,518,436</u>	<u>3,705,040</u>	<u>37,215</u>	<u>14,186,261</u>
Accumulated Depreciation	<u>(4,555,164)</u>	<u>(251,566)</u>	<u>-</u>	<u>(4,806,730)</u>
Net Property, Plant & Equipment	<u>\$ 5,963,272</u>	<u>\$3,453,474</u>	<u>\$ 37,215</u>	<u>\$ 9,379,531</u>

Depreciation for the year ended computed on the straight-line basis over estimated useful lives of 5-40 years was as follows.

Depreciation Water	\$ 117,632
Depreciation Sewer	<u>133,934</u>
Total Depreciation	<u>\$ 251,566</u>

Supplemental Information

Roaring Fork Water & Sanitation District
Statement of Revenue & Expenses-Actual and Budget (Non-GAAP Budgetary Basis)
For the year ended December 31, 2019

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues:			
Water System Charges	\$ 337,400	327,385	\$ 10,015
Sewer System Charges	352,378	357,215	(4,837)
Interest Income	60,827	16,500	44,327
Miscellaneous income	2,500	2,500	-
Plant Investment Fees	147,900	40,800	107,100
Taxes:			
Property Taxes	360,625	360,625	(1)
Specific Ownership	25,412	15,000	10,412
Penalty & Interest on Taxes	556	300	256
Total Revenue	1,287,598	1,120,325	167,273
Expenses:			
Water System:			
Raw Water Purchased	7,837	8,060	223
Chemicals	10,342	12,360	2,018
Testing	4,766	5,460	694
Plant Operator	19,800	19,800	-
Maintenance & Repairs	42,572	54,542	11,970
Supplies	-	135	135
Utilities	20,382	23,990	3,608
Hydrant Repair & Maintenance	1,100	10,325	9,225
Capital Outlays	-	-	-
Total Water System	106,799	134,672	27,873
Sewer System:			
Utilities	44,307	57,568	13,261
Chemicals	1,358	1,300	(58)
Testing	4,920	5,400	480
Maintenance & Repairs	54,133	63,890	9,757
Operator Contracts	49,800	49,800	-
Permit Expense	2,825	2,900	75
Sludge Disposal	47,040	87,000	39,960
Supplies	5,094	2,600	(2,494)
Capital Outlays	-	-	-
Contingency	-	-	-
Total Sewer System	209,477	270,458	60,981

Roaring Fork Water & Sanitation District
Statement of Revenue & Expenses-Actual and Budget (Non-GAAP Budgetary Basis)
For the year ended December 31, 2019

	Actual	Budget	Variance Favorable (Unfavorable)
Administration:			
Auto & Travel	\$ 4,239	\$ 4,900	661
Billing Clerk	24,248	27,000	2,752
Customer Service Manager	36,873	50,000	13,127
Data Processing	7,129	8,125	996
District Manager	69,763	65,200	(4,563)
County Treasurer Fees	7,224	7,135	(89)
Dues & Training	1,078	1,300	222
Insurance	17,142	16,800	(342)
Office Supplies	11,753	14,800	3,047
Miscellaneous	-	12,000	12,000
Directors Fees	3,795	4,125	330
Mapping	12,893	7,500	(5,393)
Postage	2,201	2,850	649
Professional Services			
Audit	5,700	5,750	50
Engineering	13,149	22,700	9,551
Legal	20,877	27,000	6,123
Other	8,020	12,900	4,880
Utilities	8,837	9,810	973
Capital Outlays	-	-	-
Total Administration	254,921	299,895	44,974
Debt Service:			
Tap Reimbursement to Developer-Water	18,900	6,300	(12,600)
Tap Reimbursement to Developer-Sewer	31,200	11,700	(19,500)
Total Debt Service	50,100	18,000	(32,100)
Capital Outlay:			
Water Treatment	47,668	407,000	359,332
Sewer Treatment	53,728	555,000	501,272
Capital Projects	3,566,426	3,050,000	(516,426)
Total Capital Outlay	3,667,822	4,012,000	344,178
Total Expenses	4,289,119	4,735,025	445,906
Net Income Non-GAAP Budgetary Basis	(3,001,522)	\$ (3,614,700)	\$ 613,179
Adjustments to GAAP Basis:			
Add:			
Capital Outlays	3,667,822		
Debt Service Payments	50,100		
Less:			
Depreciation Expense	(251,565)		
Total Adjustments to GAAP Basis	3,466,357		
Net Income (Loss) GAAP Basis	464,836		
Net Position, January 1,	9,469,949		
Net Position, December 31,	\$ 9,934,785		