

AUDITED FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
WESTCLIFFE, COLORADO
December 31, 2020 and 2019

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Independent Auditor's Report

September 29, 2021

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, 2020 and 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

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, 2020 and 2019, 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.

Garrett 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, 2020, 2019 and 2018

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, 2020. 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, 2020, 2019 and 2018**

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

	2020	2019	2018
Assets			
Current Assets	\$ 573,706	\$ 479,921	\$ 424,454
Capital assets, net of accumulated depreciation	4,259,160	3,939,187	3,935,207
Total Assets	<u>\$ 4,832,866</u>	<u>\$ 4,419,108</u>	<u>\$ 4,359,661</u>
Liabilities			
Current liabilities	\$ 311,232	\$ 135,547	\$ 93,661
Noncurrent liabilities	535,385	669,206	740,582
Total Liabilities	<u>\$ 846,617</u>	<u>\$ 804,753</u>	<u>\$ 834,243</u>
 Deferred Inflows of Resources	 <u>\$ 48,037</u>	 <u>\$ 46,727</u>	 <u>\$ 42,790</u>
 Net Position			
Capital assets, net of related debt	\$ 3,589,723	\$ 3,198,541	\$ 3,126,547
Restricted for emergency	36,900	28,200	25,200
Unrestricted	311,589	340,887	330,881
Total Net Position	<u>\$ 3,938,212</u>	<u>\$ 3,567,628</u>	<u>\$ 3,482,628</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2020, 2019 and 2018**

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
Operating revenues:			
Water sales	\$ 437,118	\$ 349,498	\$ 380,692
Sewer charges	440,217	422,848	363,384
Tap connection fees -- water	23,600	14,300	7,360
Tap connection fees -- sewer	13,600	8,800	4,540
Other (rents, penalties, misc. charges)	14,546	16,464	6,604
Non-operating revenues:			
General property tax	46,893	42,929	42,907
Specific ownership tax	6,853	7,067	6,528
Gain (loss) on disposal of assets	-	-	-
State/federal grants	-	-	16,000
Interest income	585	1,416	918
Total Revenues	<u>983,412</u>	<u>863,322</u>	<u>828,933</u>
Expenses			
Operating expenses:			
Water operations	233,697	233,273	182,484
Sewer operations	123,915	135,705	111,313
Admin & general	281,267	277,042	239,168
Water system depreciation	110,342	109,813	108,712
Sewer system depreciation	51,282	50,100	50,809
Admin & general depreciation	20,018	18,170	16,287
Non-operating expenses:			
County Treasurer's collection fees	2,336	2,137	2,135
Interest expense	41,859	44,482	42,902
Total expenses	<u>864,716</u>	<u>870,722</u>	<u>753,810</u>
Income (loss) before contributions	118,696	(7,400)	75,123
Capital contributions, net of rebates	199,500	92,400	45,100
Capital grants	52,388	-	-
Change in net income	<u>370,584</u>	<u>85,000</u>	<u>120,223</u>
Net position -- beginning of year	<u>3,567,628</u>	<u>3,482,628</u>	<u>3,362,405</u>
Net position -- end of year	<u>\$ 3,938,212</u>	<u>\$ 3,567,628</u>	<u>\$ 3,482,628</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2020, 2019 and 2018

Actual vs. Budget

	Actual on Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
REVENUE			
Water revenue	\$ 437,118	\$ 516,500	\$ (79,382)
Sewage revenue	440,217	318,697	121,520
Connection charges	37,200	10,500	26,700
System Development Fees:			
Plant investment charges	199,500	42,000	157,500
Interest income	585	4,500	(3,915)
Property and SO tax collections	53,746	52,327	1,419
Grant income	-	5,926,000	(5,926,000)
Gain on sale of assets	-	100	(100)
Other income	14,546	5,650	8,896
TOTAL REVENUES	1,182,912	6,876,274	(5,693,362)
EXPENDITURES			
Water system	233,697	291,367	57,670
Sewage system	123,915	244,078	120,163
Administration	280,454	276,875	(3,579)
Treasurer's collection fees	2,336	2,500	164
Interest expense	41,859	55,713	13,854
Principal payments on notes, bonds & capital lease	71,209	56,761	(14,448)
Capital outlay	501,615	6,133,000	5,631,385
TOTAL EXPENDITURES	1,255,085	7,060,294	5,805,209
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES (BUDGETARY BASIS)	\$ (72,173)	\$ (184,020)	\$ 111,847

**MANAGEMENT’S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2020, 2019 and 2018**

HIGHLIGHTS OF THE STATEMENT OF NET POSITION

Current assets (\$573,706 in 2020) consist of cash, accounts receivable, property tax receivable, supply inventory, and prepaid insurance. This figure is \$93,785 more than in 2019. The increase in current assets is mostly due to more cash reserves as compared to the prior year.

The **capital assets** (net of accumulated depreciation) figure consists of the District’s land, easements, water rights and raw water storage space, along with the depreciated value of its buildings, wells, pump and lift stations, water transmission and distribution system, sewer collection and transmission system, storage tanks (for potable water), water and sewer treatment plants, machinery and equipment. The increase from 2019 to 2020 is \$319,973 – being the 2020 net capital improvements of \$501,615 less the 2020 depreciation expense of \$181,642.

Capital projects and improvements during 2020 consisted of the following:

• Water wells, pumping and treatment improvements	\$ 38,405
• Water transmission and distribution	\$ 37,962
• Sewer collection and transmission	\$ 71,538
• Sewer treatment plant	\$ 347,175
• Machinery, equipment, office equipment	\$ 6,535
• Property-future development	\$ -

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 \$175,685 increase in current liabilities is primarily due to the increase in current maturities of the property loan due to the sale of the property early in 2021.

Noncurrent liabilities (\$535,385) at 12-31-20 are as follows:

- \$392,746 balance payable (net of \$33,746 current maturities) on a capital lease secured by the Johnson Place ranch. See footnotes, pages 13-14.
- \$45,758 balance payable (net of \$4,564 current maturities) on a note payable with DOLA used for assistance in drilling a new water supply well. See footnotes, pages 13.
- \$0 balance payable (net of \$192,717 current maturities) on a note payable with United Business Bank-Westcliffe branch for the purchase of a property for future development. See footnotes, page 13-14.

Prior to the implementation of the State Engineer’s 1973 and 1996 Groundwater “Use Rules” and Regulations, Round Mountain’s five wells were exempt from the State’s Surface Water Priority System (the River Call).

When that exemption was removed by the “Use Rules”, Round Mountain’s wells were essentially shut down. Use of those wells has been legally restored, because water rights from the Johnson Place are now used by Water Court decree to replace (augment) depletions from those wells.

Overall, noncurrent liabilities decreased \$133,821 from 2019 to 2020. This is due to principal payments made during 2020 with no new financing being acquired.

The District’s **total net position** at the close of the 2020 fiscal year was \$3,938,212, an increase of \$370,584. Of this amount, \$311,589 (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, 2020, 2019 and 2018**

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 2019 to 2020, others showed decreases. The following are partial, but significant features of the overall \$117,171 increase in combined operating revenue:

- Water charges \$ 87,620
- Sewer charges \$ 17,369
- Tap connection fees \$ 14,100

Expenses – Combined operating expenses decreased by \$3,582 from 2019 to 2020. 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>2020</u>	<u>2019</u>	<u>2018</u>
System development / plant investment fees (80% of each tap fee, less rebates to developers)	\$ 199,500	\$ 92,400	\$ 42,600
Facilities built by developers and turned over to the District for operation and maintenance	\$ 52,388	\$ -	\$ 2,500

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 \$42,138 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 \$184,200. The District had budgeted selling 1 new taps, and 21 water and sewer tap combinations were purchased in 2020. **Capital expenditures** were under budget by \$5,631,385.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2020, 2019 and 2018**

HIGHLIGHTS OF THE ACTUAL VS. BUDGET (Continued)

Earnings on deposits and investments were \$3,915 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 \$177,833. Administration costs were over budget by \$3,579.

The actual vs. budget accounting reflects a favorable \$111,847 excess of revenue over expense, the budget assumed revenue for system development. Total expenditures were under the \$7,060,274 budget appropriation by \$5,805,209.

OTHER FINANCIAL HIGHLIGHTS

Tap fees include both a connection charge and a plant investment fee. These were increased 12.5% January 1, 2006. Effective in 2020, connection charges are no longer included in the tap fee and are charged as an additional service. 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 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
The 2020 property tax levy will be 2.499 mills applied to a 2019 assessed valuation of \$18,698,440
The 2021 property tax levy will be 2.499 mills applied to a 2020 assessed valuation of \$19,222,580

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 has completed an intensive rate and fee study and has implemented the necessary operational and fee structure changes needed to operate in a fiscally prudent manner. The District has significant challenges and opportunities as we navigate the future.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2020, 2019 and 2018**

WHAT'S IN THE FUTURE? (Continued)

Water Enterprise Projects:

The District has teamed up with the engineering firm, Iconergy, to address the need to replace aging water meters throughout the distribution system and to upgrade a failing municipal well. This project plans to be at a net neutral cost to the District as additional income captured from currently unmetered water along with grant money will pay for the finances necessary to complete the project. This project is scheduled to begin April-May of 2021.

The District has partnered with the Upper Arkansas River Conservancy District on the construction of an additional water storage reservoir to be used to store the District's augmentation water. The District is in the process of acquiring grants to pay for feasibility and preliminary engineering studies that will commence at the start of 2021.

The District is participating with multiple partners in a feasibility study to raise the height and storage capacity of the DeWeese Reservoir.

The collection of monitoring well data is nearing the completion phase and final dry-up negotiations with the Department of Natural Resources are scheduled to take place during the summer of 2021. Once the dry-up is completed and the Benoni-Jarvis Reservoir is approved to be built at an alternate location, the Johnson Ranch property will be put up for sale.

Wastewater Enterprise:

The Colorado Department of Public Health and Environment has approved the District's Site Application and Process Design Report for the upgrade of the wastewater treatment plant. However, due to stringent effluent limits imposed on the District, the project cost has recently more than doubled the original projection of \$6 million. \$12 million is far outside the scope of the District's ability to pay without significant State or Federal intervention. The District is aggressively pursuing all financing options.

REQUESTS FOR INFORMATION

If you have questions, please contact the District Operations 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 380,850	\$ 291,974
Receivables		
Accounts receivable	64,704	74,085
Property tax	48,037	46,727
Inventories	56,497	42,789
Prepaid expenses	23,618	24,346
Total Current Assets	<u>573,706</u>	<u>479,921</u>
Noncurrent Assets		
Capital assets, net of accumulated depreciation	<u>4,259,160</u>	<u>3,939,187</u>
Total Assets	<u>\$ 4,832,866</u>	<u>\$ 4,419,108</u>
 <u>Liabilities</u>		
Current Liabilities		
Accounts payable	\$ 65,436	\$ 49,817
Accrued interest	3,466	3,706
Accrued compensated absences	11,397	10,584
Notes payable - current maturities	197,281	11,047
Capital leases	33,652	31,543
Other obligations	-	28,850
Total Current Liabilities	<u>311,232</u>	<u>135,547</u>
Noncurrent Liabilities		
Warranty development deposits	96,881	-
Notes payable	45,758	242,863
Capital leases	392,746	426,343
Total Noncurrent Liabilities	<u>535,385</u>	<u>669,206</u>
Total Liabilities	<u>846,617</u>	<u>804,753</u>
 Deferred Inflows of Resources		
Unavailable revenue - property tax	<u>48,037</u>	<u>46,727</u>
 <u>Net Position</u>		
Invested in capital assets, net of related debt	3,589,723	3,198,541
Restricted for emergency	36,900	28,200
Unrestricted	311,589	340,887
Total Net Position	<u>\$ 3,938,212</u>	<u>\$ 3,567,628</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Water charges	\$ 437,118	\$ 349,498
Sewage charges	440,217	422,848
Tap connection fees	37,200	23,100
Other operating income	<u>14,546</u>	<u>16,464</u>
Total Operating Revenues	<u>929,081</u>	<u>811,910</u>
Operating Expenses		
Water operating expenses		
Source of supply	161,091	155,747
Water treatment	48,834	48,312
Transmission and distribution	134,114	139,027
Sewage operating expenses		
Collection and transmission	96,325	105,964
Sewage treatment	78,872	79,841
Administrative and general	<u>301,285</u>	<u>295,212</u>
Total Operating Expenses	<u>820,521</u>	<u>824,103</u>
Net Operating Income (Loss)	<u>108,560</u>	<u>(12,193)</u>
Nonoperating Revenue (Expenses)		
General property tax	46,893	42,929
Specific ownership tax	6,853	7,067
Interest income	585	1,416
Interest expense	(41,859)	(44,482)
Treasurer's collection fees	<u>(2,336)</u>	<u>(2,137)</u>
Total Nonoperating Revenues (Expenses)	<u>10,136</u>	<u>4,793</u>
Income (Loss) Before Capital Contributions	<u>118,696</u>	<u>(7,400)</u>
Capital Contributions		
System development fees	199,500	92,400
Capital grants	<u>52,388</u>	<u>-</u>
Total Capital Contributions	<u>251,888</u>	<u>92,400</u>
Net Income (Loss)	370,584	85,000
Total Net Position - Beginning	<u>3,567,628</u>	<u>3,482,628</u>
Total Net Position - Ending	<u>\$ 3,938,212</u>	<u>\$ 3,567,628</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 938,462	\$ 807,709
Cash payments to suppliers for goods and services	(433,759)	(328,777)
Cash payments to employees for services	<u>(255,364)</u>	<u>(276,079)</u>
Net Cash Provided by Operating Activities	<u>249,339</u>	<u>202,853</u>
 Cash Flows From Noncapital Financing Activities		
Cash received from property tax	53,746	49,996
Cash paid for treasurer's fees	<u>(2,336)</u>	<u>(2,137)</u>
Net Cash Provided by Noncapital Financing Activities	<u>51,410</u>	<u>47,859</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(353,531)	(182,063)
Warranty development deposits	96,881	-
Principal paid on short-term/long term notes	(10,871)	(10,354)
Principal paid on capital lease payable	(31,488)	(29,645)
Principal paid on other obligations	(28,850)	(28,015)
Interest paid on short-term note and long term debt	(42,099)	(44,459)
System development fees collected - net of rebates	<u>157,500</u>	<u>92,400</u>
Net Cash Used by Capital and Related Financing Activities	<u>(212,458)</u>	<u>(202,136)</u>
 Cash Flows From Investing Activities		
Interest income	<u>585</u>	<u>1,416</u>
Net Increase (Decrease) in Cash and Cash Equivalents	88,876	49,992
 Cash and Cash Equivalents - Beginning	<u>291,974</u>	<u>241,982</u>
 Cash and Cash Equivalents - Ending	<u>\$ 380,850</u>	<u>\$ 291,974</u>
 Supplemental Disclosures of Non-Cash Capital and Related Financing Information		
System Development fees - trade with addition to capital assets	\$ 42,000	\$ -
Capital Grants - in kind	\$ 52,388	\$ -

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 108,560	\$ (12,193)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	181,642	178,083
Bad debts	-	4,607
(Increase) decrease in:		
Accounts receivable	9,381	(4,201)
Inventory	(13,708)	(640)
Prepaid expense	728	(1,304)
Increase (decrease) in:		
Accounts payable	(38,077)	41,302
Compensated absences	813	(2,801)
	<u>\$ 249,339</u>	<u>\$ 202,853</u>
Net Cash Provided by Operations	\$ 249,339	\$ 202,853

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019

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>2020</u>	<u>2019</u>
Current Portion	\$ 11,397	\$ 10,584
Long-term Portion	-	-
Total	<u>\$ 11,397</u>	<u>\$ 10,584</u>

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

System Development Fees

The District charges fees to join the utility system. The basic connection charge (tap fee) is currently \$10,500. Effective April 2020, the basic connection charge (tap fee) is \$5,000 for a sewer tap and \$5,500 for a water tap. The total tap fee is recorded as contributed capital - system development fees as the installation costs of the taps are now the responsibility of the customer. Prior to April 2020, the basic connection charge (tap fee) was \$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, 2020 and 2019, the additions to contributed capital - system development fees, net of rebates were \$199,500 and \$92,400, 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, 2020 and 2019

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 2020 or 2019.

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, 2020 and 2019, the District estimates its reserve requirement at \$36,900 and \$28,200, 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, 2020 and 2019

Note B - Stewardship, Compliance and Accountability (Continued)

Budget and Budgetary Data (Continued)

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

Note C - Cash Deposits and Investments

Deposits

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

As of December 31, 2020 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. At December 31, 2020 and 2019, the District's cash deposits with a bank balance of \$430,052 and \$180,052 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the institution's name.

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	\$ 283,719	\$ 283,719	-
Checking account - Warranty	96,881	96,881	-
Petty cash	<u>250</u>	<u>250</u>	<u>-</u>
Total	<u>\$ 380,850</u>	<u>\$ 380,850</u>	<u>\$ -</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2020 and 2019

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, 2020 or 2019.

Note D - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2020.

	Balance at 12-31-19	Additions	Deletions	Balance at 12-31-20
Land and land rights, etc.	\$ 1,560,764	\$ -	\$ -	\$ 1,560,764
General equipment	115,789	1,160	-	116,949
Office Furniture	72,208	5,375	-	77,583
Transportation equipment	91,870	-	-	91,870
Source of supply	869,706	38,405	-	908,111
Water transmission and distribution	2,524,169	37,962	-	2,562,131
Sewage treatment plant	862,565	347,175	-	1,209,740
Sewage collection and distribution	1,463,380	71,538	-	1,534,918
Property - Future development	212,816	-	-	212,816
Totals	\$ 7,773,267	\$ 501,615	\$ -	\$ 8,274,882
Less accumulated depreciation	<u>(3,834,080)</u>	<u>\$ 181,642</u>	<u>\$ -</u>	<u>(4,015,722)</u>
Net Capital Assets	<u>\$ 3,939,187</u>			<u>\$ 4,259,160</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$181,642 and \$178,083, respectively. Accumulated depreciation for the years ended December 31, 2020 and 2019 was \$4,015,722 and \$3,834,080, respectively.

Note E - Property Taxes Receivable

Property taxes which have been levied for 2020 and will not be collected until 2021 have been recorded as a receivable at December 31, 2020. An offsetting entry has been recorded as a deferred inflow of resources on the statements of net position.

Note F - Warranty Development Deposits

Beginning in 2020, an agreement between the District and an owner and/or developer is required for water and/or sewer main improvements. The agreement requires the developer to deposit with the District 120% of the estimated project cost or with an irrevocable letter of credit. The deposit relating to the project will be released back to the developer at various points of progression. The remaining 20% deposit remains with the District for a two-year warranty period. At the completion of the 2 year warranty period, the District will return the deposit net of any repairs or maintenance they incurred. The balance of Warranty development deposits at December 31, 2020 and 2019 was \$96,881 and \$0.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2020 and 2019

Note G - Capital Lease

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

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2020</u>	<u>Due Within One Year</u>
United Business Bank	\$ 457,886	\$ -	\$ 31,488	\$ 426,398	\$ 33,652

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>
2021	\$ 33,652	\$ 26,725	\$ 60,377
2022	35,906	24,471	60,377
2023	38,310	22,067	60,377
2024	40,876	19,501	60,377
2025	43,613	16,763	60,376
2026-2030	<u>234,041</u>	<u>36,325</u>	<u>270,366</u>
Total	<u>\$ 426,398</u>	<u>\$ 145,852</u>	<u>\$ 572,250</u>

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

Note H - Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2020:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2020</u>	<u>Due Within One Year</u>
System Improvements - note	\$ 54,668	\$ -	\$ 4,346	\$ 50,322	\$ 4,564
Property Purchase - note	\$ 199,242	-	6,525	192,717	192,717
	<u>\$ 253,910</u>	<u>\$ -</u>	<u>\$ 10,871</u>	<u>\$ 243,039</u>	<u>\$ 197,281</u>

Debt outstanding as of December 31, 2020, 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%. \$ 50,322

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2020 and 2019

Note H - Long-Term Debt - (Continued)

United Business Bank - 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%.

Property was sold and note paid off March 31, 2021.

	192,717
Total Long-Term Debt	\$ 243,039

The annual requirements to amortize the long-term debt as of December 31, 2020 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 197,281	\$ 5,790	\$ 203,071
2022	4,792	2,288	7,080
2023	5,032	2,048	7,080
2024	5,283	1,797	7,080
2025	5,547	1,533	7,080
2026-2029	25,104	3,214	28,318
Total	\$ 243,039	\$ 16,670	\$ 259,709

Note I - Other Obligations

The District entered into an 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 balance of other obligations at December 31, 2020 and 2019 was \$0 and \$28,850.

Note J - 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, 2020 and 2019

Note J - 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>2020</u>	<u>2019</u>
Assets	\$ <u>59,612,386</u>	\$ <u>55,602,023</u>
Liabilities	\$ 37,710,994	\$ 33,163,342
Equity	<u>21,901,392</u>	<u>22,438,681</u>
	<u>\$ 59,612,386</u>	<u>\$ 55,602,023</u>
Revenues	\$ 23,853,329	\$ 23,610,572
Expenses	<u>23,825,575</u>	<u>25,355,739</u>
Excess of revenues over (under) expenses	<u>\$ 27,754</u>	<u>\$ (1,745,167)</u>

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

Note K - 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, 2020 and 2019, the District has reserved \$36,900 and \$28,200, 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 L - Capital Grant

The District has entered into various agreements with customers/developers 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. For the years ending December 31, 2020 and 2019, the additions for system development - capital grant was \$52,388 and \$0.

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, 2020 and 2019

Note M - Operating Lease

The District is operated in rented facilities. The twenty-four (24) month lease for office space originated October 1, 2012. The lease had been extended multiple terms in prior years and is currently renting month to month. The monthly rental payment is \$1,125. Subsequently, a new twenty-four (24) month lease with monthly rental payments of \$1,125 was dated March 1, 2021 and expires February 28, 2023. Rent expense for the years ended December 31, 2020 and 2019 was \$13,500 and \$13,500. Future minimum lease payments are \$11,250, \$13,500 and \$2,250 for the years ending December 31, 2021, 2022 and 2023, respectively.

Note N - Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As a result, economic uncertainties have arisen which are likely to negatively impact operations or carrying value of assets. Other financial implications may result, and such potential impact is unknown at this time.

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, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues				
Water charges	\$ 516,500	\$ 516,500	\$ 437,118	\$ (79,382)
Sewer charges	318,697	318,697	440,217	121,520
Tap connection fees	10,500	10,500	37,200	26,700
Other operating income	5,650	5,650	14,546	8,896
Total Revenues	<u>851,347</u>	<u>851,347</u>	<u>929,081</u>	<u>77,734</u>
Nonoperating Revenues				
General property tax	46,727	46,727	46,893	166
Specific ownership tax	5,600	5,600	6,853	1,253
Interest income	4,500	4,500	585	(3,915)
Federal grant	5,926,000	5,926,000	-	(5,926,000)
Gain on sale of assets	100	100	-	(100)
System Development fees	42,000	42,000	199,500	157,500
Total Nonoperating Revenues	<u>6,024,927</u>	<u>6,024,927</u>	<u>253,831</u>	<u>(5,771,096)</u>
Total Revenues	<u>6,876,274</u>	<u>6,876,274</u>	<u>1,182,912</u>	<u>(5,693,362)</u>
Operating Expenses				
Source of Supply				
Power purchased for pumping	40,000	40,000	34,969	5,031
Operating supplies	2,500	2,500	2,162	338
Purchased services	112,000	112,000	42,275	69,725
Repairs and maintenance	3,000	3,000	3,296	(296)
Salaries	28,165	28,165	28,628	(463)
Employee health insurance	5,717	5,717	6,299	(582)
Payroll taxes	2,657	2,657	2,271	386
Total Source of Supply	<u>194,039</u>	<u>194,039</u>	<u>119,900</u>	<u>74,139</u>
Water Treatment Expense				
Operating supplies	3,000	3,000	4,076	(1,076)
Professional development	1,000	1,000	2,101	(1,101)
Purchased services	2,500	2,500	2,611	(111)
Repairs and maintenance	2,500	2,500	2,848	(348)
Salaries	28,165	28,165	28,628	(463)
Employee health insurance	5,717	5,717	6,299	(582)
Payroll taxes	2,657	2,657	2,271	386
Total Water Treatment Expense	<u>45,539</u>	<u>45,539</u>	<u>48,834</u>	<u>(3,295)</u>
Transmission and Distribution Expense				
Operating supplies	3,750	3,750	3,288	462
Purchased services	7,500	7,500	4,579	2,921
Repairs and maintenance	4,000	4,000	19,898	(15,898)
Salaries	28,165	28,165	28,628	(463)
Employee health insurance	5,717	5,717	6,299	(582)
Payroll taxes	2,657	2,657	2,271	386
Total Transmission and Distribution	<u>51,789</u>	<u>51,789</u>	<u>64,963</u>	<u>(13,174)</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, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Collection and Transmission Expenses				
Power purchased for pumping	\$ 2,500	\$ 2,500	\$ 1,920	\$ 580
Operating supplies	2,500	2,500	2,393	107
Purchased services	5,000	5,000	9,068	(4,068)
Repairs and maintenance	3,500	3,500	3,871	(371)
Salaries	28,165	28,165	28,628	(463)
Employee health insurance	5,717	5,717	6,299	(582)
Payroll taxes	<u>2,657</u>	<u>2,657</u>	<u>2,271</u>	<u>386</u>
Total Collection and Transmission	<u>50,039</u>	<u>50,039</u>	<u>54,450</u>	<u>(4,411)</u>
Sewage Treatment Expenses				
Power purchased for pumping	25,000	25,000	15,136	9,864
Operating supplies	3,000	3,000	3,307	(307)
Purchased services	122,000	122,000	4,216	117,784
Repairs and maintenance	2,500	2,500	6,991	(4,491)
Salaries	28,165	28,165	28,628	(463)
Employee health insurance	5,717	5,717	6,300	(583)
Payroll taxes	2,657	2,657	2,270	387
Professional development	<u>5,000</u>	<u>5,000</u>	<u>2,617</u>	<u>2,383</u>
Total Sewage Treatment Expense	<u>194,039</u>	<u>194,039</u>	<u>69,465</u>	<u>124,574</u>
Administrative and General				
Auditing	12,000	12,000	9,579	2,421
Directors' fees and meeting expenses	10,400	10,400	12,000	(1,600)
Election	2,000	2,000	355	1,645
Employee health insurance	28,584	28,584	25,085	3,499
Insurance	17,100	17,100	18,620	(1,520)
Miscellaneous	2,000	2,000	1,061	939
Office supplies	5,500	5,500	6,191	(691)
Payroll taxes	8,519	8,519	9,574	(1,055)
Postage	1,400	1,400	636	764
Printing, duplicating, etc.	4,250	4,250	4,770	(520)
Professional development	6,000	6,000	2,623	3,377
Professional services	18,200	18,200	30,421	(12,221)
Publications, dues	8,000	8,000	8,192	(192)
Rents	14,850	14,850	13,500	1,350
Salaries	115,352	115,352	120,092	(4,740)
Travel	7,720	7,720	1,715	6,005
Utilities	<u>15,000</u>	<u>15,000</u>	<u>16,040</u>	<u>(1,040)</u>
Total Administrative and General Expenses	<u>276,875</u>	<u>276,875</u>	<u>280,454</u>	<u>(3,579)</u>
Total Operating Expenses	<u>812,320</u>	<u>812,320</u>	<u>638,066</u>	<u>174,254</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, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Nonoperating Expenditures				
Treasurer's collection fees	\$ 2,500	\$ 2,500	\$ 2,336	\$ 164
Interest expense	55,713	55,713	41,859	13,854
Principle paid on other obligations	28,015	28,015	28,850	(835)
Principal paid on capital lease	24,340	24,340	31,488	(7,148)
Principal paid on DOLA loan	3,406	3,406	4,346	(940)
Principal paid on note	1,000	1,000	6,525	(5,525)
Capital outlay	<u>6,133,000</u>	<u>6,133,000</u>	<u>501,615</u>	<u>5,631,385</u>
Total Nonoperating Expenditures	<u>6,247,974</u>	<u>6,247,974</u>	<u>617,019</u>	<u>5,630,955</u>
Total Expenditures	<u>7,060,294</u>	<u>7,060,294</u>	<u>1,255,085</u>	<u>5,805,209</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	(184,020)	(184,020)	(72,173)	111,847
Funds Available - Beginning of Year	<u>223,471</u>	<u>223,471</u>	<u>410,980</u>	<u>187,509</u>
Funds Available - End of Year	<u>\$ 39,451</u>	<u>\$ 39,451</u>	<u>\$ 338,807</u>	<u>\$ 299,356</u>

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

BUDGET RECONCILIATION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2020

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 1,182,912
Plus:	
Gain on sale of assets	-
Less:	
System development fees	<u>(199,500)</u>
Revenue (GAAP Basis)	<u>983,412</u>
Expenditures (Budgetary Basis)	1,255,085
Plus:	
Depreciation	181,642
Bad debts	-
Less:	
Change in vacation/sick leave accrual	813
Capital outlay	(501,615)
Principal payments	<u>(71,209)</u>
Expenditures (GAAP Basis)	<u>864,716</u>
Income (Loss) Before Capital Contribution	<u>\$ 118,696</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Source of Supply		
Depreciation	\$ 41,191	\$ 41,224
Power purchased for pumping	34,969	39,100
Operating supplies	2,162	3,426
Purchased services	42,275	32,286
Repairs and maintenance	3,296	2,005
Salaries and wages	28,628	29,433
Employee health insurance	6,299	5,943
Payroll taxes	<u>2,271</u>	<u>2,330</u>
Total Source of Supply	<u>161,091</u>	<u>155,747</u>
 Water Treatment Expense		
Operating supplies	4,076	4,786
Professional development	2,101	614
Purchased services	2,611	2,893
Repairs and maintenance	2,848	2,313
Salaries and wages	28,628	29,433
Employee health insurance	6,299	5,943
Payroll taxes	<u>2,271</u>	<u>2,330</u>
Total Water Treatment Expense	<u>48,834</u>	<u>48,312</u>
 Transmission and Distribution Expense		
Depreciation	69,151	68,589
Operating supplies	3,288	4,108
Purchased services	4,579	9,538
Repairs and maintenance	19,898	17,084
Salaries and wages	28,628	29,433
Employee health insurance	6,299	5,943
Payroll taxes	2,271	2,330
Bad debt	<u>-</u>	<u>2,002</u>
Total Transmission and Distribution Expense	<u>134,114</u>	<u>139,027</u>
Total Water Operating Expenses	<u>\$ 344,039</u>	<u>\$ 343,086</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Collection and Transmission Expenses:		
Depreciation	\$ 41,875	\$ 40,692
Power purchased for pumping	1,920	2,201
Operating supplies	2,393	3,232
Purchased services	9,068	18,445
Repairs and maintenance	3,871	1,083
Salaries and wages	28,628	29,433
Employee health insurance	6,299	5,943
Payroll taxes	2,271	2,330
Bad debts	-	2,605
	-	2,605
Total Collection and Transmission Expenses	96,325	105,964
 Sewage Treatment Expenses:		
Depreciation	9,407	9,408
Power purchased for pumping	15,136	19,534
Operating supplies	3,307	3,781
Professional development	2,617	2,649
Purchased services	4,216	4,098
Repairs and maintenance	6,991	2,665
Salaries and wages	28,628	29,433
Employee health insurance	6,300	5,943
Payroll taxes and other employee benefits	2,270	2,330
	2,270	2,330
Total Sewage Treatment Expense	78,872	79,841
Total Sewage Operating Expenses	\$ 175,197	\$ 185,805

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Administration and General:		
Auditing	\$ 9,579	\$ 9,115
Depreciation	20,018	18,170
Directors' fees and meeting expenses	12,000	8,800
Election	355	-
Employee health insurance	25,085	22,809
Insurance	18,620	19,047
Miscellaneous	1,061	1,890
Office supplies	6,102	12,791
Operating supplies	89	984
Payroll taxes	9,574	10,300
Postage	636	499
Printing, duplicating, etc.	4,770	4,824
Professional development	2,623	5,162
Professional services	30,421	6,483
Publications, dues	8,192	12,075
Rents	13,500	13,500
Salaries and wages	120,905	126,113
Travel	1,715	7,820
Utilities	16,040	14,830
	<hr/>	<hr/>
Total Administrative and General Expenses	\$ 301,285	\$ 295,212

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



OFFICE OF THE STATE AUDITOR - LOCAL GOVERNMENT AUDIT DIVISION
KERRI L. HUNTER, CPA - STATE AUDITOR

Request for Extension of Time to File Audit for Year End December 31, 2020 ONLY


If someone other than an elected board member submitted an extension request, this form should be signed by a member of the elected governing body and submitted with the audit by September 30, 2021.

Requests may be submitted via internet portal: <https://apps.leg.co.gov/osa/lg>.

Government Name:	Round Mountain Water & Sanitation District
Name of Contact:	Peggy Quint
Address:	PO Box 86
City/Zip Code	Westcliffe, CO 81252-0086
Phone Number:	719-783-2604
Fax Number:	
E-mail	peggy.quint@rmwsd.com
Fiscal Year Ending (mm/dd/yyyy):	12/31/2020
Amount of Time Requested (in days): (Not to exceed 60 calendar days)	60 days Audit Due: September 30, 2021
Comments (optional):	Extension filed online and approved.

I understand that if the audit is not submitted within the approved extension of time, the government named in the extension request will be considered in default without further notice, and the State Auditor shall take further action as prescribed by Section 29-1-606(5)(b), C.R.S.

Must be signed by a member of the governing board.

Signature	
Printed Name:	Randall Wilhelm
Title:	Treasurer
Date:	9-24-21