

AUDITED FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
WESTCLIFFE, COLORADO
December 31, 2021 and 2020

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Independent Auditor's Report

February 16, 2023

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Round Mountain Water and Sanitation District (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Board of Directors
Round Mountain Water and Sanitation District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Arren Ross $\frac{1}{2}$ *DeNardo, Inc.*

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2021, 2020 and 2019

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, 2021. 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, 2021, 2020 and 2019

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

| | 2021 | 2020 | 2019 |
|---|----------------------|----------------------|----------------------|
| Assets | | | |
| Current assets | \$ 1,774,160 | \$ 573,706 | \$ 479,921 |
| Noncurrent assets | 1,429,250 | - | - |
| Capital assets, net of accumulated depreciation | 5,249,166 | 4,259,160 | 3,939,187 |
| Total Assets | <u>\$ 8,452,576</u> | <u>\$ 4,832,866</u> | <u>\$ 4,419,108</u> |
| Liabilities | | | |
| Current liabilities | \$ 1,609,843 | \$ 311,232 | \$ 135,547 |
| Noncurrent liabilities | 2,096,471 | 535,385 | 669,206 |
| Total Liabilities | <u>\$ 3,706,314</u> | <u>\$ 846,617</u> | <u>\$ 804,753</u> |
| Deferred Inflows of Resources | <u>\$ 52,521</u> | <u>\$ 48,037</u> | <u>\$ 46,727</u> |
| Net Position | | | |
| Capital assets, net of related debt | \$ 3,849,049 | \$ 3,589,723 | \$ 3,198,541 |
| Restricted for emergency | 35,800 | 36,900 | 28,200 |
| Unrestricted | 808,892 | 311,589 | 340,887 |
| Total Net Position | <u>\$ 4,693,741</u> | <u>\$ 3,938,212</u> | <u>\$ 3,567,628</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2021, 2020 and 2019

Statement of Revenues, Expenses, and Changes in Net Position

| | 2021 | 2020 | 2019 |
|---|---------------------|---------------------|---------------------|
| Revenues | | | |
| Operating revenues: | | | |
| Water sales | \$ 446,888 | \$ 437,118 | \$ 349,498 |
| Sewer charges | 475,769 | 440,217 | 422,848 |
| Tap connection fees – water | 1,600 | 23,600 | 14,300 |
| Tap connection fees – sewer | 600 | 13,600 | 8,800 |
| Other (rents, penalties, misc. charges) | 32,068 | 14,546 | 16,464 |
| Non-operating revenues: | | | |
| General property tax | 47,690 | 46,893 | 42,929 |
| Specific ownership tax | 7,569 | 6,853 | 7,067 |
| Gain (loss) on disposal of assets | 6,304 | - | - |
| State/federal grants | 468 | - | - |
| Interest income | 928 | 585 | 1,416 |
| Total Revenues | 1,019,884 | 983,412 | 863,322 |
| Expenses | | | |
| Operating expenses: | | | |
| Water operations | 222,005 | 233,697 | 233,273 |
| Sewer operations | 112,131 | 123,915 | 135,705 |
| Admin & general | 351,208 | 281,267 | 277,042 |
| Water system depreciation | 110,062 | 110,342 | 109,813 |
| Sewer system depreciation | 52,534 | 51,282 | 50,100 |
| Admin & general depreciation | 25,775 | 20,018 | 18,170 |
| Non-operating expenses: | | | |
| County Treasurer's collection fees | 2,388 | 2,336 | 2,137 |
| Interest expense | 31,595 | 41,859 | 44,482 |
| Total expenses | 907,698 | 864,716 | 870,722 |
| Income (loss) before contributions | 112,186 | 118,696 | (7,400) |
| Capital contributions, net of rebates | 126,601 | 199,500 | 92,400 |
| Capital grants | 516,742 | 52,388 | - |
| Change in net income | 755,529 | 370,584 | 85,000 |
| Net position -- beginning of year | 3,938,212 | 3,567,628 | 3,482,628 |
| Net position -- end of year | \$ 4,693,741 | \$ 3,938,212 | \$ 3,567,628 |

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2021, 2020 and 2019**

Actual vs. Budget

| | Actual on Budgetary Basis | Final Budget | Variance Favorable (Unfavorable) |
|--|---------------------------------|-----------------|--|
| REVENUE | | | |
| Water revenue | \$ 446,888 | \$ 503,085 | \$ (56,197) |
| Sewage revenue | 475,769 | 468,000 | 7,769 |
| Connection charges | 2,200 | 10,400 | (8,200) |
| System Development Fees: | | | |
| Plant investment charges | 126,601 | 84,000 | 42,601 |
| Interest income | 928 | 570 | 358 |
| Property and SO tax collections | 55,259 | 53,737 | 1,522 |
| Grant income | 468 | 25,000 | (24,532) |
| Proceeds from sale of capital assets | 210,760 | - | 210,760 |
| Other income | 32,068 | 7,900 | 24,168 |
| TOTAL REVENUES | 1,350,941 | 1,152,692 | 198,249 |
| EXPENDITURES | | | |
| Water system | 221,858 | 261,762 | 39,904 |
| Sewage system | 112,131 | 311,208 | 199,077 |
| Administration | 350,704 | 326,434 | (24,270) |
| Treasurer's collection fees | 2,388 | 2,500 | 112 |
| Interest expense | 31,595 | 39,345 | 7,750 |
| Principal payments on notes, bonds & capital lease | 230,941 | 45,114 | (185,827) |
| Capital outlay | 367,517 | 133,500 | (234,017) |
| TOTAL EXPENDITURES | 1,317,134 | 1,119,863 | (197,271) |
| EXCESS OF REVENUE OVER (UNDER) | | | |
| EXPENDITURES (BUDGETARY BASIS) | \$ 33,807 | \$ 32,829 | \$ 978 |

MANAGEMENT’S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2021, 2020 and 2019

HIGHLIGHTS OF THE STATEMENT OF NET POSITION

Current assets (\$1,774,160 in 2021) consist of cash, accounts receivable, grants receivable, property tax receivable, supply inventory, and prepaid insurance. This figure is \$1,200,454 more than in 2020. The increase in current assets is mostly due to more cash reserves and grants receivable as compared to the prior year.

The **capital assets** (net of accumulated depreciation) figure consists of the District’s land, easements, water rights and raw water storage space, along with the depreciated value of its buildings, wells, pump and lift stations, water transmission and distribution system, sewer collection and transmission system, storage tanks (for potable water), water and sewer treatment plants, machinery and equipment. The increase from 2020 to 2021 is \$990,006 – being the 2021 net capital improvements of \$1,178,378 less the 2021 depreciation expense of \$188,371.

Capital projects and improvements during 2021 consisted of the following:

| | |
|---|--------------|
| • Water wells, pumping and treatment improvements | \$ 249,978 |
| • Water transmission and distribution | \$ 1,064,477 |
| • Sewer collection and transmission | \$ 321 |
| • Sewer treatment plant | \$ 6,915 |
| • Machinery, equipment, office equipment | \$ 61,143 |
| • Property-future development | \$ (204,456) |

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 \$1,298,611 increase in current liabilities is primarily due to an increase in current accounts payable and the current maturities of District’s capital lease secured by the Johnson Place ranch (see note 7, page 14 of the footnotes).

Noncurrent liabilities (\$2,096,471) at 12-31-2021 are as follows:

- \$722,500 customer deposits for tap fees paid but not yet installed and \$66,386 warranty development deposits (see note 6, page 14 of the footnotes).
- \$1,307,585 balance payable (net of \$167,423 current maturities) on notes payable (see note 8, pages 14 and 15 of the footnotes).

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

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

Overall, noncurrent liabilities increased \$1,561,086 from 2020 to 2021. This is mostly due to customer deposits and new financing acquired during 2021.

The District’s **total net position** at the close of the 2021 fiscal year was \$4,693,741, an increase of \$755,529. Of this amount, \$808,892 (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, 2021, 2020 and 2019**

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 2020 to 2021, others showed decreases. The following are partial, but significant features of the overall \$27,844 increase in combined operating revenue:

| | |
|--------------------------|-------------|
| • Water charges | \$ 9,770 |
| • Sewer charges | \$ 35,552 |
| • Tap connection fees | \$ (35,000) |
| • Other operating income | \$ 17,522 |

Expenses – Combined operating expenses increased by \$53,194 from 2020 to 2021. Significant variances between the two years were within the expenses related to operating supplies, purchased services, repairs and maintenance, office supplies, utilities, and salaries and wages, and related payroll expenses.

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|-------------|
| System development / plant investment fees (80% of each tap fee, less rebates to developers) | \$ 126,601 | \$ 199,500 | \$ 92,400 |
| Facilities built by developers and turned over to the District for operation and maintenance | \$ 516,742 | \$ 52,388 | \$ - |

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. The reader will also find on 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 \$48,428 under 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 \$34,401. The District had to institute a moratorium on new tap sale during 2021. **Capital expenditures** were over budget by \$234,017.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2021, 2020 and 2019**

HIGHLIGHTS OF THE ACTUAL VS. BUDGET (Continued)

Earnings on deposits and investments were \$358 over budget, a result of minimal changes in interest rates.

Water and sewer system expenses were under budget by \$238,981. Administration costs were over budget by \$24,270.

The actual vs. budget accounting reflects a favorable \$978 excess of revenue over expenditures. Total expenditures were over the \$1,119,863 budget appropriation by \$197,271.

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 was 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 was 2.499 mills applied to a 2016 assessed valuation of \$17,563,950

The 2018 property tax levy was 2.499 mills applied to a 2017 assessed valuation of \$17,101,510

The 2019 property tax levy was 2.499 mills applied to a 2018 assessed valuation of \$17,122,780

The 2020 property tax levy was 2.499 mills applied to a 2019 assessed valuation of \$18,698,440

The 2021 property tax levy was 2.499 mills applied to a 2020 assessed valuation of \$19,222,580

The 2022 property tax levy will be 2.499 mills applied to a 2021 assessed valuation of \$21,016,695

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.

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 produce 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 began in May of 2021.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2021, 2020 and 2019**

WHAT'S IN THE FUTURE? (Continued)

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 acquired a grant to pay for the feasibility and preliminary engineering studies that commenced 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 took 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. In October 2022, the Johnson Ranch property was sold.

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. \$14 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 and alternative wastewater treatment methods. A moratorium on the sale of water and sewer taps is being considered for 2022 as a solution to limit wastewater discharge to the overloaded treatment system.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

STATEMENTS OF NET POSITION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and equivalents | \$ 1,311,904 | \$ 380,850 |
| Receivables | | |
| Accounts receivable | 62,107 | 64,704 |
| Grant | 288,520 | - |
| Property tax | 52,521 | 48,037 |
| Inventories | 51,724 | 56,497 |
| Prepaid expenses | 7,384 | 23,618 |
| Total Current Assets | <u>1,774,160</u> | <u>573,706</u> |
| Noncurrent Assets | | |
| Escrow - debt proceeds | 1,429,250 | - |
| Capital assets, net of accumulated depreciation | 5,249,166 | 4,259,160 |
| Total Noncurrent Assets | <u>6,678,416</u> | <u>4,259,160</u> |
| Total Assets | <u>\$ 8,452,576</u> | <u>\$ 4,832,866</u> |
| <u>Liabilities</u> | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,035,755 | \$ 65,436 |
| Accrued interest | 2,491 | 3,466 |
| Notes payable - current maturities | 167,423 | 197,281 |
| Capital leases | 392,738 | 33,652 |
| Total Current Liabilities | <u>1,598,407</u> | <u>299,835</u> |
| Noncurrent Liabilities | | |
| Customer deposits | 722,500 | - |
| Warranty development deposits | 66,386 | 96,881 |
| Accrued compensated absences | 11,436 | 11,397 |
| Notes payable | 1,307,585 | 45,758 |
| Capital leases | - | 392,746 |
| Total Noncurrent Liabilities | <u>2,107,907</u> | <u>546,782</u> |
| Total Liabilities | <u>3,706,314</u> | <u>846,617</u> |
| Deferred Inflows of Resources | | |
| Unavailable revenue - property tax | 52,521 | 48,037 |
| <u>Net Position</u> | | |
| Invested in capital assets, net of related debt | 3,849,049 | 3,589,723 |
| Restricted for emergency | 35,800 | 36,900 |
| Unrestricted | 808,892 | 311,589 |
| Total Net Position | <u>\$ 4,693,741</u> | <u>\$ 3,938,212</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Water charges | \$ 446,888 | \$ 437,118 |
| Sewage charges | 475,769 | 440,217 |
| Tap connection fees | 2,200 | 37,200 |
| Other operating income | <u>32,068</u> | <u>14,546</u> |
| Total Operating Revenues | <u>956,925</u> | <u>929,081</u> |
| Operating Expenses | | |
| Water operating expenses | | |
| Source of supply | 155,436 | 161,091 |
| Water treatment | 43,724 | 48,834 |
| Transmission and distribution | 132,907 | 134,114 |
| Sewage operating expenses | | |
| Collection and transmission | 88,716 | 96,325 |
| Sewage treatment | 75,949 | 78,872 |
| Administrative and general | <u>376,983</u> | <u>301,285</u> |
| Total Operating Expenses | <u>873,715</u> | <u>820,521</u> |
| Net Operating Income (Loss) | <u>83,210</u> | <u>108,560</u> |
| Nonoperating Revenue (Expenses) | | |
| General property tax | 47,690 | 46,893 |
| Specific ownership tax | 7,569 | 6,853 |
| Federal and state grants | 468 | - |
| Gain on sale of assets | 6,304 | - |
| Interest income | 928 | 585 |
| Interest expense | (31,595) | (41,859) |
| Treasurer's collection fees | <u>(2,388)</u> | <u>(2,336)</u> |
| Total Nonoperating Revenues (Expenses) | <u>28,976</u> | <u>10,136</u> |
| Income (Loss) Before Capital Contributions | <u>112,186</u> | <u>118,696</u> |
| Capital Contributions | | |
| System development fees | 126,601 | 199,500 |
| Capital grants | <u>516,742</u> | <u>52,388</u> |
| Total Capital Contributions | <u>643,343</u> | <u>251,888</u> |
| Net Income (Loss) | 755,529 | 370,584 |
| Total Net Position - Beginning | <u>3,938,212</u> | <u>3,567,628</u> |
| Total Net Position - Ending | <u>\$ 4,693,741</u> | <u>\$ 3,938,212</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Cash received from customers | \$ 959,522 | \$ 938,462 |
| Cash payments to suppliers for goods and services | (336,698) | (433,759) |
| Cash payments to employees for services | <u>(318,902)</u> | <u>(255,364)</u> |
| Net Cash Provided by Operating Activities | <u>303,922</u> | <u>249,339</u> |
| Cash Flows From Noncapital Financing Activities | | |
| Cash received from property tax | 55,259 | 53,746 |
| Cash paid for treasurer's fees | <u>(2,388)</u> | <u>(2,336)</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>52,871</u> | <u>51,410</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (421,213) | (353,531) |
| Proceeds from capital grants | 228,690 | - |
| Proceeds from sale of assets | 210,761 | - |
| Proceeds from loans | 1,429,250 | - |
| Escrow restricted to capital purchases | (1,429,250) | - |
| Customer deposits | 722,500 | - |
| Warranty development deposits | (30,495) | 96,881 |
| Principal paid on loans | (197,281) | (10,871) |
| Principal paid on capital lease payable | (33,660) | (31,488) |
| Interest paid on debt | (32,570) | (42,099) |
| System development fees collected | <u>126,601</u> | <u>157,500</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>573,333</u> | <u>(183,608)</u> |
| Cash Flows From Investing Activities | | |
| Interest income | <u>928</u> | <u>585</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 931,054 | 117,726 |
| Cash and Cash Equivalents - Beginning | <u>380,850</u> | <u>291,974</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 1,311,904</u> | <u>\$ 409,700</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Reconciliation of Operating Income to Net Cash | | |
| Provided by Operating Activities | | |
| Operating income (loss) | \$ 83,210 | \$ 108,560 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 188,371 | 181,642 |
| (Increase) decrease in: | | |
| Accounts receivable | 2,597 | 9,381 |
| Inventory | 4,773 | (13,708) |
| Prepaid expense | 16,234 | 728 |
| Increase (decrease) in: | | |
| Accounts payable | 8,698 | (38,077) |
| Compensated absences | <u>39</u> | <u>813</u> |
| Net Cash Provided by Operations | <u>\$ 303,922</u> | <u>\$ 249,339</u> |

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

NOTES TO FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021 and 2020

Note 1 - Nature of Operations

The Round Mountain Water and Sanitation District (“the 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.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management’s estimates.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District’s financial statements are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the 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 reported as nonoperating revenues and 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. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Equivalents

For purposes of reporting cash flows, the District considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying Statements of Net Position.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Receivables

Receivables include amounts due from customers of the District for water and sanitation services. All receivables are current and therefore due within one year. Management has a history of high accounts receivable collections. As a result, management has not recorded an allowance for uncollectible accounts as of December 31, 2021 and 2020, as they consider amounts fully collectible.

Inventory

Inventory is valued 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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences (Continued)

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.

At December 31, 2021 and 2020 the amount of accrued sick leave and vacation pay was \$11,436 and \$11,397, respectively. The full amount will be presented as long term debt.

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, 2021 and 2020, the additions to contributed capital - system development fees, net of rebates were \$126,601 and \$199,500, respectively.

Customer deposits at December 31, 2021 and 2020 were \$722,500 and \$0, respectively. Deposits are payments of tap fees that have not been installed.

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.

Property taxes which have been levied for 2021 and will not be collected until 2022 have been recorded as a receivable at December 31, 2021. An offsetting entry has been recorded as a deferred inflow of resources on the statements of net position.

Risks and Uncertainties

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 2021 or 2020.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties (Continued)

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Date of Management Evaluation

Management has evaluated subsequent events through February 16, 2023, the date on which the financial statements were available to be issued.

Note 3 - 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, 2021 and 2020, the District estimates its reserve requirement at \$35,800 and \$36,900, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2021 and 2020

Note 3 - Stewardship, Compliance and Accountability (Continued)

Budget and Budgetary Data (Continued)

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 not recognized on the budgetary basis and are treated as nonoperating revenue on the GAAP basis. Proceeds from sale of assets are treated as revenue on the budgetary basis but not on the GAAP basis.

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

Expenditures in Excess of Budget Amounts

During the year ended December 31, 2021, the District had expenditures which exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law:

| | <u>Budget</u> | <u>Actual</u> | <u>Actual Over Budget</u> |
|---|---------------|---------------|-------------------------------|
| Operating and nonoperating expenditures | \$ 1,119,863 | \$ 1,317,134 | \$ (197,271) |

Note 4 - 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, 2021, the District had deposits over \$250,000 in the amount of \$1,249,866. These deposits are required to be collateralized under State statutes.

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. All institutions holding the District's deposits are currently certified as eligible public depositories in accordance with statutes. At December 31, 2021 and 2020, the District's cash deposits with a bank balance of \$1,499,866 and \$430,052, respectively.

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 | \$ 1,245,176 | \$ 1,245,176 | \$ - |
| Checking account - Warranty | 66,478 | 66,478 | - |
| Petty cash | 250 | 250 | - |
| Total | <u>\$ 1,311,904</u> | <u>\$ 1,311,904</u> | <u>\$ -</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2021 and 2020

Note 4 - Cash Deposits and Investments (Continued)

Investments

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

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

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

The District had no such investments during the years ending December 31, 2021 or 2020.

Note 5 - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2021.

| | <u>Balance at</u> <u>12-31-20</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>12-31-21</u> |
|-------------------------------------|--|-------------------------|-------------------------|--|
| Non-depreciable assets: | | | | |
| Land and land rights, etc. | \$ 1,560,764 | \$ - | \$ - | \$ 1,560,764 |
| Depreciable assets: | | | | |
| General equipment | 116,949 | - | - | 116,949 |
| Office Furniture | 77,583 | 1,143 | - | 78,726 |
| Transportation equipment | 91,870 | 60,000 | - | 151,870 |
| Source of supply | 908,111 | 249,978 | - | 1,158,089 |
| Water transmission and distribution | 2,562,131 | 1,064,477 | - | 3,626,608 |
| Sewage treatment plant | 1,209,740 | 6,915 | - | 1,216,655 |
| Sewage collection and distribution | 1,534,918 | 321 | - | 1,535,239 |
| Property - Future development | 212,816 | - | 212,816 | - |
| | <u>6,714,118</u> | <u>1,382,834</u> | <u>212,816</u> | <u>7,884,136</u> |
| Totals | 8,274,882 | \$ 1,382,834 | \$ 212,816 | 9,444,900 |
| Less accumulated depreciation | (4,015,722) | <u>\$ (188,371)</u> | <u>\$ 8,359</u> | (4,195,734) |
| Net Capital Assets | <u>\$ 4,259,160</u> | | | <u>\$ 5,249,166</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 was \$188,371 and \$181,642, respectively. Accumulated depreciation for the years ended December 31, 2021 and 2020 was \$4,195,734 and \$4,015,722, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2021 and 2020

Note 6 - 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, 2021 and 2020 was \$66,386 and \$96,881.

Note 7 - 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%. This capital lease was paid in full in 2022 as the property that was associated with this lease was sold in October 2022.

| | <u>December 31, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>December 31, 2021</u> | <u>Due Within One Year</u> |
|----------------------|------------------------------|------------------|-------------------|------------------------------|--------------------------------|
| United Business Bank | \$ 426,398 | \$ - | \$ 33,660 | \$ 392,738 | \$ 392,738 |

Assets under the capital lease totaled \$800,000 and are included in non-depreciable 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> |
|--------------------------------|------------------|-----------------|--------------|
| 2022 | \$ 392,738 | \$ 19,289 | \$ 412,027 |

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

Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2021:

| | <u>December 31, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>December 31, 2021</u> | <u>Due Within One Year</u> |
|----------------------------|------------------------------|---------------------|-------------------|------------------------------|--------------------------------|
| System Improvements - note | \$ 50,322 | \$ - | \$ 4,564 | \$ 45,758 | \$ 4,792 |
| Govt. Agency Bonds | | | | | |
| CWR&PDA | - | 1,300,000 | - | 1,300,000 | 33,381 |
| State Revolving Fund | | | | | |
| CWR&PDA | - | 129,250 | - | 129,250 | 129,250 |
| Property Purchase - note | 192,717 | - | 192,717 | - | - |
| | <u>\$ 243,039</u> | <u>\$ 1,429,250</u> | <u>\$ 197,281</u> | <u>\$ 1,475,008</u> | <u>\$ 167,423</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2021 and 2020

Note 8 - Long-Term Debt (Continued)

Debt outstanding as of December 31, 2021, 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%. \$ 45,758

Colorado Water Resources and Power Development Authority

The District issued a government agency bond pursuant to a loan agreement with Colorado Water Resources and Power Development Authority. Proceeds are to be used to install a new ground water well to replace an existing failing well and water treatment system improvements. The loan amount is \$1,300,000 and payments will begin May 2022. Interest rate is 1.5%. The bonds are secured by a lien on the net revenue of the system. Net revenues are defined in the loan documents. The District is required to establish user rates equal to at least 110% of annual debt service requirements. 1,300,000

Colorado Water Resources and Power Development Authority

The District received State Revolving Funding with Colorado Water Resources and Power Development Authority. Proceeds are to be used to replace a municipal well and upgrade the current mechanical water meters with smart meters. The loan amount is \$129,250, and will be 100% forgiven once all required documents have been submitted and the District has met all project and loan requirements. The District only borrowed \$127,450 on this loan and it was 100% forgiven December 8, 2022. 129,250

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. -

Total Long-Term Debt \$ 1,475,008

The annual requirements to amortize the long-term debt as of December 31, 2021 are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 167,422 | \$ 13,628 | \$ 181,050 |
| 2023 | 63,112 | 20,831 | 83,943 |
| 2024 | 64,238 | 19,705 | 83,943 |
| 2025 | 65,389 | 18,553 | 83,942 |
| 2026 | 66,568 | 9,428 | 75,996 |
| 2027-2031 | 336,993 | 68,558 | 405,551 |
| 2032-2036 | 342,362 | 41,950 | 384,312 |
| 2037-2041 | 368,924 | 15,388 | 384,312 |
| Total | <u>\$ 1,475,008</u> | <u>\$ 208,041</u> | <u>\$ 1,683,049</u> |

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2021 and 2020

Note 9 - Insurance Pool

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

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

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

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

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Assets | \$ <u>68,195,261</u> | \$ <u>59,612,386</u> |
| Liabilities | \$ 46,165,251 | \$ 37,710,994 |
| Equity | <u>22,030,010</u> | <u>21,901,392</u> |
| | <u>\$ 68,195,261</u> | <u>\$ 59,612,386</u> |
| Revenues | \$ 25,371,651 | \$ 23,853,329 |
| Expenses | <u>25,123,490</u> | <u>23,825,575</u> |
| Excess of revenues over (under) expenses | <u>\$ 248,161</u> | <u>\$ 27,754</u> |

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

Note 10 - 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 is 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, 2021 and 2020, the District has reserved \$35,800 and \$36,900, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021 and 2020

Note 11 - 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, 2021 and 2020, the additions for system development - capital grant was \$0 and \$52,388.

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.

The District received capital grants from state and federal sources in the amount of \$516,742, which were used to add to their system development.

Note 12 - 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. 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, 2021 and 2020 was \$13,500 and \$13,500. Future minimum lease payments are \$13,500 and \$2,250 for the years ending December 31, 2022 and 2023, respectively.

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, 2021

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>2021 ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|----------------------------|-------------------------|------------------------|---|
| Revenues | | | | |
| Water charges | \$ 503,085 | \$ 503,085 | \$ 446,888 | \$ (56,197) |
| Sewer charges | 468,000 | 468,000 | 475,769 | 7,769 |
| Tap connection fees | 10,400 | 10,400 | 2,200 | (8,200) |
| Other operating income | 7,900 | 7,900 | 32,068 | 24,168 |
| Total Revenues | <u>989,385</u> | <u>989,385</u> | <u>956,925</u> | <u>(32,460)</u> |
| Nonoperating Revenues | | | | |
| General property tax | 48,037 | 48,037 | 47,690 | (347) |
| Specific ownership tax | 5,700 | 5,700 | 7,569 | 1,869 |
| Interest income | 570 | 570 | 928 | 358 |
| Federal and state grants | 25,000 | 25,000 | 468 | (24,532) |
| System Development fees | 84,000 | 84,000 | 126,601 | 42,601 |
| Proceeds from sale of capital assets | - | - | 210,760 | 210,760 |
| Total Nonoperating Revenues | <u>163,307</u> | <u>163,307</u> | <u>394,016</u> | <u>230,709</u> |
| Total Revenues | <u>1,152,692</u> | <u>1,152,692</u> | <u>1,350,941</u> | <u>198,249</u> |
| Operating Expenses | | | | |
| Source of Supply | | | | |
| Power purchased for pumping | 40,000 | 40,000 | 25,766 | 14,234 |
| Operating supplies | 3,500 | 3,500 | 4,087 | (587) |
| Purchased services | 63,000 | 63,000 | 50,794 | 12,206 |
| Repairs and maintenance | 3,000 | 3,000 | 1,955 | 1,045 |
| Salaries | 29,264 | 29,264 | 24,556 | 4,708 |
| Employee health insurance | 6,200 | 6,200 | 5,279 | 921 |
| Payroll taxes | 2,340 | 2,340 | 1,971 | 369 |
| Total Source of Supply | <u>147,304</u> | <u>147,304</u> | <u>114,408</u> | <u>32,896</u> |
| Water Treatment Expense | | | | |
| Operating supplies | 3,100 | 3,100 | 5,087 | (1,987) |
| Professional development | 2,500 | 2,500 | 1,086 | 1,414 |
| Purchased services | 3,000 | 3,000 | 3,851 | (851) |
| Repairs and maintenance | 2,500 | 2,500 | 1,894 | 606 |
| Salaries | 29,264 | 29,264 | 24,556 | 4,708 |
| Employee health insurance | 6,200 | 6,200 | 5,279 | 921 |
| Payroll taxes | 2,340 | 2,340 | 1,971 | 369 |
| Total Water Treatment Expense | <u>48,904</u> | <u>48,904</u> | <u>43,724</u> | <u>5,180</u> |
| Transmission and Distribution Expense | | | | |
| Operating supplies | 3,750 | 3,750 | 5,109 | (1,359) |
| Purchased services | 10,000 | 10,000 | 4,447 | 5,553 |
| Repairs and maintenance | 14,000 | 14,000 | 22,364 | (8,364) |
| Salaries | 29,264 | 29,264 | 24,556 | 4,708 |
| Employee health insurance | 6,200 | 6,200 | 5,279 | 921 |
| Payroll taxes | 2,340 | 2,340 | 1,971 | 369 |
| Total Transmission and Distribution | <u>65,554</u> | <u>65,554</u> | <u>63,726</u> | <u>1,828</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, 2021

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>2021 ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|----------------------------|-------------------------|------------------------|---|
| Collection and Transmission Expenses | | | | |
| Power purchased for pumping | \$ 2,500 | \$ 2,500 | \$ 2,339 | \$ 161 |
| Operating supplies | 2,500 | 2,500 | 3,900 | (1,400) |
| Purchased services | 6,000 | 6,000 | 6,063 | (63) |
| Repairs and maintenance | 3,500 | 3,500 | 1,450 | 2,050 |
| Salaries | 29,264 | 29,264 | 24,556 | 4,708 |
| Employee health insurance | 6,200 | 6,200 | 5,279 | 921 |
| Payroll taxes | 2,340 | 2,340 | 1,971 | 369 |
| Total Collection and Transmission | <u>52,304</u> | <u>52,304</u> | <u>45,558</u> | <u>6,746</u> |
| Sewage Treatment Expenses | | | | |
| Power purchased for pumping | 20,000 | 20,000 | 15,885 | 4,115 |
| Operating supplies | 3,100 | 3,100 | 5,052 | (1,952) |
| Purchased services | 187,500 | 187,500 | 4,193 | 183,307 |
| Repairs and maintenance | 7,000 | 7,000 | 8,160 | (1,160) |
| Salaries | 29,264 | 29,264 | 24,556 | 4,708 |
| Employee health insurance | 6,200 | 6,200 | 5,280 | 920 |
| Payroll taxes | 2,340 | 2,340 | 1,972 | 368 |
| Professional development | 3,500 | 3,500 | 1,475 | 2,025 |
| Total Sewage Treatment Expense | <u>258,904</u> | <u>258,904</u> | <u>66,573</u> | <u>192,331</u> |
| Administrative and General | | | | |
| Auditing | 12,000 | 12,000 | 11,929 | 71 |
| Directors' fees and meeting expenses | 12,000 | 12,000 | 6,800 | 5,200 |
| Election | 1,000 | 1,000 | - | 1,000 |
| Employee health insurance | 29,582 | 29,582 | 30,490 | (908) |
| Insurance | 20,700 | 20,700 | 23,748 | (3,048) |
| Miscellaneous | 2,000 | 2,000 | 2,560 | (560) |
| Office supplies | 4,000 | 4,000 | 8,981 | (4,981) |
| Payroll taxes | 9,578 | 9,578 | 13,629 | (4,051) |
| Postage | 1,400 | 1,400 | 1,100 | 300 |
| Printing, duplicating, etc. | 4,250 | 4,250 | 781 | 3,469 |
| Professional development | 5,000 | 5,000 | 700 | 4,300 |
| Professional services | 37,700 | 37,700 | 39,095 | (1,395) |
| Publications, dues | 7,700 | 7,700 | 10,321 | (2,621) |
| Rents | 14,850 | 14,850 | 13,500 | 1,350 |
| Salaries | 143,674 | 143,674 | 172,637 | (28,963) |
| Travel | 6,000 | 6,000 | 2,215 | 3,785 |
| Utilities | 15,000 | 15,000 | 12,218 | 2,782 |
| Total Administrative and General Expenses | <u>326,434</u> | <u>326,434</u> | <u>350,704</u> | <u>(24,270)</u> |
| Total Operating Expenses | <u>899,404</u> | <u>899,404</u> | <u>684,693</u> | <u>214,711</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, 2021

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>2021 ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|----------------------------|-------------------------|------------------------|---|
| Nonoperating Expenditures | | | | |
| Treasurer's collection fees | \$ 2,500 | \$ 2,500 | \$ 2,388 | \$ 112 |
| Interest expense | 39,345 | 39,345 | 31,595 | 7,750 |
| Principle paid on other obligations | - | - | - | - |
| Principal paid on capital lease | 33,656 | 33,656 | 33,660 | (4) |
| Principal paid on DOLA loan | 4,564 | 4,564 | 4,564 | - |
| Principal paid on note | 6,894 | 6,894 | 192,717 | (185,823) |
| Capital outlay | <u>133,500</u> | <u>133,500</u> | <u>367,517</u> | <u>(234,017)</u> |
| Total Nonoperating Expenditures | <u>220,459</u> | <u>220,459</u> | <u>632,441</u> | <u>(411,982)</u> |
| Total Expenditures | <u>1,119,863</u> | <u>1,119,863</u> | <u>1,317,134</u> | <u>(197,271)</u> |
| Excess of Revenues Over (Under) Expenditures (Budgetary Basis) | 32,829 | 32,829 | 33,807 | 978 |
| Funds Available - Beginning of Year | <u>200,000</u> | <u>200,000</u> | <u>338,807</u> | <u>138,807</u> |
| Funds Available - End of Year | <u>\$ 232,829</u> | <u>\$ 232,829</u> | <u>\$ 372,614</u> | <u>\$ 139,785</u> |

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

BUDGET RECONCILIATION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2021

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

| | |
|--|-------------------|
| Revenue (Budgetary Basis) | \$ 1,350,941 |
| Plus: | |
| Gain on sale of assets | 6,304 |
| Less: | |
| Proceeds from sale of capital assets | (210,760) |
| System development fees | <u>(126,601)</u> |
| | |
| Revenue (GAAP Basis) | <u>1,019,884</u> |
| | |
| Expenditures (Budgetary Basis) | 1,317,134 |
| Plus: | |
| Depreciation | 188,371 |
| Bad debts | 612 |
| Less: | |
| Change in vacation/sick leave accrual | 39 |
| Capital outlay | (367,517) |
| Principal payments | <u>(230,941)</u> |
| | |
| Expenditures (GAAP Basis) | <u>907,698</u> |
| | |
| Income (Loss) Before Capital Contribution | <u>\$ 112,186</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Source of Supply | | |
| Depreciation | \$ 41,028 | \$ 41,191 |
| Power purchased for pumping | 25,766 | 34,969 |
| Operating supplies | 4,087 | 2,162 |
| Purchased services | 50,794 | 42,275 |
| Repairs and maintenance | 1,955 | 3,296 |
| Salaries and wages | 24,556 | 28,628 |
| Employee health insurance | 5,279 | 6,299 |
| Payroll taxes | <u>1,971</u> | <u>2,271</u> |
| Total Source of Supply | <u>155,436</u> | <u>161,091</u> |
| Water Treatment Expense | | |
| Operating supplies | 5,087 | 4,076 |
| Professional development | 1,086 | 2,101 |
| Purchased services | 3,851 | 2,611 |
| Repairs and maintenance | 1,894 | 2,848 |
| Salaries and wages | 24,556 | 28,628 |
| Employee health insurance | 5,279 | 6,299 |
| Payroll taxes | <u>1,971</u> | <u>2,271</u> |
| Total Water Treatment Expense | <u>43,724</u> | <u>48,834</u> |
| Transmission and Distribution Expense | | |
| Depreciation | 69,034 | 69,151 |
| Operating supplies | 5,109 | 3,288 |
| Purchased services | 4,447 | 4,579 |
| Repairs and maintenance | 22,364 | 19,898 |
| Salaries and wages | 24,556 | 28,628 |
| Employee health insurance | 5,279 | 6,299 |
| Payroll taxes | 1,971 | 2,271 |
| Bad debt | <u>147</u> | <u>-</u> |
| Total Transmission and Distribution Expense | <u>132,907</u> | <u>134,114</u> |
| Total Water Operating Expenses | <u>\$ 332,067</u> | <u>\$ 344,039</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Collection and Transmission Expenses: | | |
| Depreciation | \$ 43,158 | \$ 41,875 |
| Power purchased for pumping | 2,339 | 1,920 |
| Operating supplies | 3,900 | 2,393 |
| Purchased services | 6,063 | 9,068 |
| Repairs and maintenance | 1,450 | 3,871 |
| Salaries and wages | 24,556 | 28,628 |
| Employee health insurance | 5,279 | 6,299 |
| Payroll taxes | <u>1,971</u> | <u>2,271</u> |
| Total Collection and Transmission Expenses | <u>88,716</u> | <u>96,325</u> |
| Sewage Treatment Expenses: | | |
| Depreciation | 9,376 | 9,407 |
| Power purchased for pumping | 15,885 | 15,136 |
| Operating supplies | 5,052 | 3,307 |
| Professional development | 1,475 | 2,617 |
| Purchased services | 4,193 | 4,216 |
| Repairs and maintenance | 8,160 | 6,991 |
| Salaries and wages | 24,556 | 28,628 |
| Employee health insurance | 5,280 | 6,300 |
| Payroll taxes and other employee benefits | <u>1,972</u> | <u>2,270</u> |
| Total Sewage Treatment Expense | <u>75,949</u> | <u>78,872</u> |
| Total Sewage Operating Expenses | <u>\$ 164,665</u> | <u>\$ 175,197</u> |

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

SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Administration and General: | | |
| Auditing | \$ 11,929 | \$ 9,579 |
| Bad Debts | 465 | - |
| Depreciation | 25,775 | 20,018 |
| Directors' fees and meeting expenses | 6,800 | 12,000 |
| Election | - | 355 |
| Employee health insurance | 30,490 | 25,085 |
| Insurance | 23,748 | 18,620 |
| Miscellaneous | 2,560 | 1,061 |
| Office supplies | 8,687 | 6,102 |
| Operating supplies | 294 | 89 |
| Payroll taxes | 13,629 | 9,574 |
| Postage | 1,100 | 636 |
| Printing, duplicating, etc. | 781 | 4,770 |
| Professional development | 700 | 2,623 |
| Professional services | 39,095 | 30,421 |
| Publications, dues | 10,321 | 8,192 |
| Rents | 13,500 | 13,500 |
| Salaries and wages | 172,676 | 120,905 |
| Travel | 2,215 | 1,715 |
| Utilities | <u>12,218</u> | <u>16,040</u> |
| Total Administrative and General Expenses | <u>\$ 376,983</u> | <u>\$ 301,285</u> |

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