

AUDITED FINANCIAL STATEMENTS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
WESTCLIFFE, COLORADO
December 31, 2022 and 2021

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Independent Auditor's Report

July 28, 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, 2022 and 2021, 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, 2022 and 2021, 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.

Garrett Rose + W. Nardo, Inc.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2022, 2021 and 2020

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, 2022. 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, 2022, 2021 and 2020**

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

	2022	2021	2020
Assets			
Current assets	\$ 2,607,235	\$ 1,774,160	\$ 573,706
Noncurrent assets	341,553	1,429,250	-
Capital assets, net of accumulated depreciation	5,256,621	5,264,601	4,259,160
Total Assets	<u>\$ 8,205,409</u>	<u>\$ 8,468,011</u>	<u>\$ 4,832,866</u>
Liabilities			
Current liabilities	\$ 116,614	\$ 1,611,601	\$ 311,232
Noncurrent liabilities	1,604,142	2,110,148	535,385
Total Liabilities	<u>\$ 1,720,756</u>	<u>\$ 3,721,749</u>	<u>\$ 846,617</u>
Deferred Inflows of Resources	<u>\$ 52,869</u>	<u>\$ 52,521</u>	<u>\$ 48,037</u>
Net Position			
Capital assets, net of related debt	\$ 3,946,795	\$ 3,849,049	\$ 3,589,723
Restricted for emergency	45,400	35,800	36,900
Unrestricted	2,439,589	808,892	311,589
Total Net Position	<u>\$ 6,431,784</u>	<u>\$ 4,693,741</u>	<u>\$ 3,938,212</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2022, 2021 and 2020**

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
Operating revenues:			
Water sales	\$ 507,611	\$ 446,888	\$ 437,118
Sewer charges	528,368	475,769	440,217
Tap connection fees – water	4,900	1,600	23,600
Tap connection fees – sewer	1,500	600	13,600
Other (rents, penalties, misc. charges)	60,125	32,068	14,546
Non-operating revenues:			
General property tax	52,436	47,690	46,893
Specific ownership tax	7,463	7,569	6,853
Gain (loss) on disposal of assets	824,720	6,304	-
State/federal grants	1,275	468	-
Interest income	3,636	928	585
Total Revenues	<u>1,992,034</u>	<u>1,019,884</u>	<u>983,412</u>
Expenses			
Operating expenses:			
Water operations	252,240	222,005	233,697
Sewer operations	146,176	112,131	123,915
Admin & general	374,008	351,208	281,267
Water system depreciation	176,136	110,062	110,342
Sewer system depreciation	51,294	52,534	51,282
Admin & general depreciation	24,138	25,775	20,018
Non-operating expenses:			
County Treasurer's collection fees	2,643	2,388	2,336
Interest expense	35,654	31,595	41,859
Total expenses	<u>1,062,289</u>	<u>907,698</u>	<u>864,716</u>
Income (loss) before contributions	929,745	112,186	118,696
Capital contributions, net of rebates	337,300	126,601	199,500
Capital grants	470,998	516,742	52,388
Change in net income	<u>1,738,043</u>	<u>755,529</u>	<u>370,584</u>
Net position -- beginning of year	<u>4,693,741</u>	<u>3,938,212</u>	<u>3,567,628</u>
Net position -- end of year	<u>\$ 6,431,784</u>	<u>\$ 4,693,741</u>	<u>\$ 3,938,212</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2022, 2021 and 2020**

Actual vs. Budget

	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Water revenue	\$ 507,611	\$ 499,000	\$ 8,611
Sewage revenue	528,368	544,451	(16,083)
Connection charges	6,400	800	5,600
System Development Fees:			
Plant investment charges	337,300	11,000	326,300
Interest income	3,636	550	3,086
Property and SO tax collections	59,899	58,020	1,879
Grant income	472,273	1,151,250	(678,977)
Proceeds from sale of capital assets	1,383,460	1,300,000	83,460
Other income	60,125	4,700	55,425
TOTAL REVENUES	<u>3,359,072</u>	<u>3,569,771</u>	<u>(210,699)</u>
EXPENDITURES			
Water system	251,110	291,944	40,834
Sewage system	145,454	194,196	48,742
Administration	372,821	389,001	16,180
Treasurer's collection fees	2,643	2,500	(143)
Interest expense	35,654	31,568	(4,086)
Principal payments - notes, bonds & finance lease	560,161	35,889	(524,272)
Capital outlay	815,522	2,503,250	1,687,728
TOTAL EXPENDITURES	<u>2,183,365</u>	<u>3,448,348</u>	<u>1,264,983</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES (BUDGETARY BASIS)	<u>\$ 1,175,707</u>	<u>\$ 121,423</u>	<u>\$ 1,054,284</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
 ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 For the Years Ended December 31, 2022, 2021 and 2020**

HIGHLIGHTS OF THE STATEMENT OF NET POSITION

Current assets (\$2,607,235 in 2022) consist of cash, accounts receivable, grants receivable, property tax receivable, supply inventory, and prepaid insurance. This figure is \$833,075 more than in 2021. The increase in current assets is mostly due to more cash reserves, accounts receivable and inventories 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 and right to use lease. The decrease from 2021 to 2022 is \$(7,980) – being the 2022 net capital improvements of \$133,768 less the 2022 depreciation expense of \$128,553.

Capital projects and improvements during 2022 consisted of the following:

• Water wells, pumping and treatment improvements	\$	94,313
• Water transmission and distribution	\$	652,046
• Sewer collection and transmission	\$	13,163
• Sewer treatment plant	\$	-
• Machinery, equipment, office equipment	\$	56,000

Current liabilities include accounts payable, accrued payroll taxes and withholding, accrued interest and current maturities of long-term obligations.

The \$1,494,987 decrease in current liabilities is primarily due to the decrease in current accounts payable and the current maturities of District's long-term obligations as the finance lease was paid off in 2022 with the sale of the Johnson Place ranch (see note 9, page 16 of the footnotes).

Noncurrent liabilities (\$1,604,142) at 12-31-2022 are as follows:

- \$312,200 customer deposits for tap fees paid but not yet installed and \$33,202 warranty development deposits (see note 8, page 15 of the footnotes).
- \$1,244,474 balance payable (net of \$65,352 current maturities) on long-term obligations (see note 9, pages 15-17 of the footnotes).

Overall, noncurrent liabilities decreased \$506,006 from 2021 to 2022. This is mostly due to customer deposits and payoff of the obligation for the Johnson Ranch which was sold in 2022.

The District's **total net position** at the close of the 2022 fiscal year was \$6,431,784, an increase of \$1,738,043. Of this amount, \$2,439,589 (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, 2022, 2021 and 2020**

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 2021 to 2022, others showed decreases. The following are partial, but significant features of the overall \$145,579 increase in combined operating revenue:

• Water charges	\$ 60,723
• Sewer charges	\$ 52,599
• Tap connection fees	\$ 4,200
• Other operating income	\$ 28,057

Expenses – Combined operating expenses increased by \$150,277 from 2021 to 2022. 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>2022</u>	<u>2021</u>	<u>2020</u>
System development / plant investment fees (80% of each tap fee, less rebates to developers)	\$ 337,300	\$ 126,601	\$ 199,500
Facilities built by developers and turned over to the District for operation and maintenance or capital grants from federal or state sources were used to further develop the system.	\$ 470,998	\$ 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 \$7,472 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 \$331,900. The District had to institute a moratorium on new tap sale during 2022. **Capital expenditures** were under budget by \$1,687,728.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2022, 2021 and 2020**

HIGHLIGHTS OF THE ACTUAL VS. BUDGET (Continued)

Earnings on deposits and investments were \$3,086 over budget, a result of minimal changes in interest rates.

Water and sewer system expenses were under budget by \$89,576. Administration costs were under budget by \$16,180.

The actual vs. budget accounting reflects a favorable \$1,054,284 excess of revenue over expenditures. Total expenditures were under the \$3,448,348 budget appropriation by \$1,264,983.

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 was 2.499 mills applied to a 2021 assessed valuation of \$21,016,695

The 2023 property tax levy will be 2.499 mills applied to a 2022 assessed valuation of \$21,156,167

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, 2022, 2021 and 2020**

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. Due to the requirement to build our own reservoir to properly operate our augmentation plan, the District withdrew as a stakeholder in this project.

The collection of monitoring well data has been completed and final dry-up negotiations with the Department of Natural Resources took place during the summer of 2021. In October 2022, the Johnson Ranch property was sold, and the proceeds will go towards financing the new reservoir.

The District's undersized and aging water distribution system will need major upsizing and upgrades in the near future. The District also needs an additional 500,000-gallon finished water storage tank to address current and future water supply demands. The projected cost for these upgrades is around \$15,000,000.

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 CDPHE acceptance of an alternative wastewater treatment method that will cost 1/3rd the price of existing solutions. The District established a moratorium on the sale of water and sewer taps as of January 1, 2022, as a solution to limit wastewater discharge to the overloaded treatment system until it is replaced.

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and equivalents	\$ 2,327,743	\$ 1,311,904
Receivables		
Accounts receivable	73,291	62,107
Grant	33,834	288,520
Property tax	57,328	52,521
Inventories	84,056	51,724
Prepaid expenses	30,983	7,384
Total Current Assets	<u>2,607,235</u>	<u>1,774,160</u>
Noncurrent Assets		
Escrow - debt proceeds	341,553	1,429,250
Capital assets		
Non-depreciable	1,002,024	1,560,764
Depreciable - net	4,254,597	3,703,837
Total Noncurrent Assets	<u>5,598,174</u>	<u>6,693,851</u>
Total Assets	<u>\$ 8,205,409</u>	<u>\$ 8,468,011</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 51,262	\$ 1,038,246
Long-term obligations - due within one year	65,352	573,355
Total Current Liabilities	<u>116,614</u>	<u>1,611,601</u>
Noncurrent Liabilities		
Customer deposits	312,200	722,500
Warranty development deposits	33,202	66,386
Accrued compensated absences	14,266	11,436
Long-term obligations - due in more than one year	1,244,474	1,309,826
Total Noncurrent Liabilities	<u>1,604,142</u>	<u>2,110,148</u>
Total Liabilities	<u>1,720,756</u>	<u>3,721,749</u>
Deferred Inflows of Resources		
Unavailable revenue - property tax	52,869	52,521
Net Position		
Invested in capital assets, net of related debt	3,946,795	3,849,049
Restricted for emergency	45,400	35,800
Unrestricted	2,439,589	808,892
Total Net Position	<u>\$ 6,431,784</u>	<u>\$ 4,693,741</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Water charges	\$ 507,611	\$ 446,888
Sewage charges	528,368	475,769
Tap connection fees	6,400	2,200
Other operating income	<u>60,125</u>	<u>32,068</u>
Total Operating Revenues	<u>1,102,504</u>	<u>956,925</u>
Operating Expenses		
Water operating expenses		
Source of supply	155,317	155,436
Water treatment	60,376	43,724
Transmission and distribution	212,683	132,907
Sewage operating expenses		
Collection and transmission	103,824	88,716
Sewage treatment	93,646	75,949
Administrative and general	<u>398,146</u>	<u>376,983</u>
Total Operating Expenses	<u>1,023,992</u>	<u>873,715</u>
Net Operating Income (Loss)	<u>78,512</u>	<u>83,210</u>
Nonoperating Revenue (Expenses)		
General property tax	52,436	47,690
Specific ownership tax	7,463	7,569
Federal and state grants	1,275	468
Gain on sale of assets	824,720	6,304
Interest income	3,636	928
Interest expense	(35,654)	(31,595)
Treasurer's collection fees	<u>(2,643)</u>	<u>(2,388)</u>
Total Nonoperating Revenues (Expenses)	<u>851,233</u>	<u>28,976</u>
Income (Loss) Before Capital Contributions	<u>929,745</u>	<u>112,186</u>
Capital Contributions		
System development fees	337,300	126,601
Capital grants	<u>470,998</u>	<u>516,742</u>
Total Capital Contributions	<u>808,298</u>	<u>643,343</u>
Net Income (Loss)	1,738,043	755,529
Total Net Position - Beginning	<u>4,693,741</u>	<u>3,938,212</u>
Total Net Position - Ending	<u>\$ 6,431,784</u>	<u>\$ 4,693,741</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 1,091,320	\$ 959,522
Cash payments to suppliers for goods and services	(431,298)	(336,698)
Cash payments to employees for services	<u>(367,379)</u>	<u>(318,902)</u>
Net Cash Provided by Operating Activities	<u>292,643</u>	<u>303,922</u>
Cash Flows From Noncapital Financing Activities		
Cash received from property tax	55,440	55,259
Cash paid for treasurer's fees	<u>(2,643)</u>	<u>(2,388)</u>
Net Cash Provided by Noncapital Financing Activities	<u>52,797</u>	<u>52,871</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,830,839)	(421,213)
Proceeds from state and federal grants	599,509	228,690
Proceeds from sale of assets	1,383,460	210,761
Proceeds from loans	-	1,429,250
Escrow restricted to capital purchases	1,087,697	(1,429,250)
Customer deposits	(100,300)	722,500
Warranty development deposits	(33,184)	(30,495)
Principal paid on long-term obligations	(432,711)	(230,941)
Interest paid on debt	(34,169)	(32,570)
System development fees collected	<u>27,300</u>	<u>126,601</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>666,763</u>	<u>573,333</u>
Cash Flows From Investing Activities		
Interest income	<u>3,636</u>	<u>928</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,015,839	931,054
Cash and Cash Equivalents - Beginning	<u>1,311,904</u>	<u>380,850</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,327,743</u>	<u>\$ 1,311,904</u>
Supplemental Disclosures of Non-Cash Capital and Related Financing Information		
Taps installed from customer deposits	\$ 310,000	\$ -
State revolving fund loan - forgiven by CWR and PDA	\$ 127,450	\$ -

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 78,512	\$ 83,210
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	251,568	188,371
(Increase) decrease in:		
Accounts receivable	(11,184)	2,597
Inventory	(32,332)	4,773
Prepaid expense	(23,599)	16,234
Increase (decrease) in:		
Accounts payable and accrued expenses	26,848	8,698
Compensated absences	<u>2,830</u>	<u>39</u>
Net Cash Provided by Operations	<u>\$ 292,643</u>	<u>\$ 303,922</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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Accounting Principles - Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. There was no effect on beginning net position since the right to use asset equals the right to use-lease liability.

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 June 2022.

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, 2022 and 2021 the amount of accrued sick leave and vacation pay was \$14,266 and \$11,436, respectively. The full amount will be presented as a noncurrent liability.

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% was recorded as contributed capital - system development fees and 20% was recorded as tap connection fees. For the years ended December 31, 2022 and 2021, the additions to contributed capital - system development fees, net of rebates were \$337,300 and \$126,601, respectively.

The District placed a water and sewer tap moratorium as of January 1, 2022. This will continue indefinitely as the District continues to seek solutions for the wastewater treatment plant.

Customer deposits at December 31, 2022 and 2021 were \$312,200 and \$722,500, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

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 2022 and will not be collected until 2023 have been recorded as a receivable at December 31, 2022. An offsetting entry has been recorded as a deferred inflow of resources on the statements of net position.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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, 2022 and 2021, the District estimates its reserve requirement at \$45,400 and \$35,800, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2022 and 2021

Note 3 - Stewardship, Compliance and Accountability (Continued)

Budget and Budgetary Data (Continued)

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 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.

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 2022 or 2021.

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.

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, 2022, the District had deposits over \$250,000 in the amount of \$2,075,757. These deposits are required to be collateralized under State statutes.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2022 and 2021

Note 4 - Cash Deposits and Investments (Continued)

Deposits

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, 2022 and 2021, the District's cash deposits with a bank balance of \$2,325,758 and \$1,499,866, 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	\$ 2,294,144	\$ 2,294,144	\$ -
Checking account - Warranty	33,349	33,349	-
Petty cash	250	250	-
Total	<u><u>\$ 2,327,743</u></u>	<u><u>\$ 2,327,743</u></u>	<u><u>\$ -</u></u>

Investments

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

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

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

The District had no such investments during the years ending December 31, 2022 or 2021.

Note 5 - Prepaid Expenses

Prepaid expenses consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Prepaid insurance	\$ 29,858	\$ 6,259
Prepaid rent	1,125	1,125
Total Prepaid Expenses	<u><u>\$ 30,983</u></u>	<u><u>\$ 7,384</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2022 and 2021

Note 6 - Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2022.

	<u>Balance at</u> <u>12-31-21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12-31-22</u>
Non-depreciable assets:				
Land and land rights, etc.	\$ 1,560,764	\$ -	\$ 558,740	\$ 1,002,024
Depreciable assets:				
General equipment	116,949	-	-	116,949
Office Furniture	78,726	5,000	34,655	49,071
Transportation equipment	151,870	51,000	-	202,870
Source of supply	1,158,089	94,313	-	1,252,402
Water transmission and distribution	3,626,608	652,046	77,463	4,201,191
Sewage treatment plant	1,216,655	-	-	1,216,655
Sewage collection and distribution	1,535,239	13,163	10,897	1,537,505
Right to use lease- office building	26,178	-	-	26,178
	<u>7,910,314</u>	<u>815,522</u>	<u>123,015</u>	<u>8,602,821</u>
Totals	9,471,078	<u>\$ 815,522</u>	<u>\$ 681,755</u>	9,604,845
Less accumulated depreciation and amortization:	(4,206,477)	<u>\$ (264,762)</u>	<u>\$ 123,015</u>	\$ (4,348,224)
Capital Assets, Net	<u>\$ 5,264,601</u>			<u>\$ 5,256,621</u>

Depreciation expense for the year ended December 31, 2022 was \$251,568 and amortization expense of \$13,194.

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	-
Right to use lease- Office building	-	26,178	-	26,178
	<u>6,714,118</u>	<u>1,409,012</u>	<u>212,816</u>	<u>7,910,314</u>
Totals	8,274,882	<u>\$ 1,409,012</u>	<u>\$ 212,816</u>	9,471,078
Less accumulated depreciation and amortization:	(4,015,722)	<u>\$ (199,114)</u>	<u>\$ 8,359</u>	\$ (4,206,477)
Net Capital Assets	<u>\$ 4,259,160</u>			<u>\$ 5,264,601</u>

Depreciation expense for the year ended December 31, 2021 was \$188,371 and amortization expense of \$10,743.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2022 and 2021

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 40,996	\$ 1,035,755
Accrued payroll taxes and withholding	6,290	-
Accrued interest	3,976	2,491
Total Accounts Payable and Accrued Liabilities	<u>\$ 51,262</u>	<u>\$ 1,038,246</u>

Note 8 - 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, 2022 and 2021 was \$33,202 and \$66,386.

Note 9 - Long-Term Obligations

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2022:

	<u>December</u> <u>31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2022</u>	<u>Due Within</u> <u>One Year</u>
System Improvements - note	\$ 45,758	\$ -	\$ 4,792	\$ 40,966	\$ 5,031
Govt. Agency Bonds					
CWR and PDA	1,300,000	-	33,381	1,266,619	58,080
State Revolving Fund					
CWR and PDA	129,250	-	129,250	-	-
Finance lease	392,738	-	392,738	-	-
Right to use-lease liability	15,435	-	13,194	2,241	2,241
	<u>\$ 1,883,181</u>	<u>\$ -</u>	<u>\$ 573,355</u>	<u>\$ 1,309,826</u>	<u>\$ 65,352</u>

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. Interest rate of 5%.

Future years repayment schedule:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,031	\$ 2,048	\$ 7,079
2024	5,283	1,797	7,080
2025	5,547	1,533	7,080
2026	5,825	1,255	7,080
2027	6,116	964	7,080
2028-2029	13,164	995	14,159
Total	<u>\$ 40,966</u>	<u>\$ 8,592</u>	<u>\$ 49,558</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2022 and 2021

Note 9 - Long-Term Obligations (Continued)

Colorado Water Resources and Power Development Authority - Government Agency Bonds

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 \$1,300,000 and payments begin May 2022 including interest at 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. The District believes it is in compliance with all loan requirements.

Future years repayment schedule:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 58,080	\$ 18,782	\$ 76,862
2024	58,955	17,908	76,863
2025	59,842	17,020	76,862
2026	60,743	16,119	76,862
2027	61,658	15,205	76,863
2028-2032	322,497	61,815	384,312
2033-2037	347,517	36,795	384,312
2038-2041	297,327	10,123	307,450
Total	\$ 1,266,619	\$ 193,767	\$ 1,460,386

Colorado Water Resources and Power Development Authority - State Revolving Fund

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 \$129,250, and will be 100% forgiven once all required documents have been submitted and the District has met all project requirements. The District only borrowed \$127,450 on this loan and it was 100% forgiven December 8, 2022.

Finance Lease - United Business Bank

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 finance lease was paid in full in 2022 as the property that was associated with this lease was sold in October 2022.

Assets under the finance lease totaled \$800,000 and were included in non-depreciable capital assets as land, rights of way and water rights at December 31, 2021.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2022 and 2021

Note 9 - Long-Term Obligations (Continued)

Right to use Lease Liability

\$26,178 has been recorded as intangible right to use lease in capital assets. Due to implementation of GASB Statement No. 87, this lease for office building met the criteria of a lease; thus, requiring it to be recorded by the District. This asset will be amortized over the lease term of two years since it is shorter than the useful life and the District is not taking ownership. The lease term expires February 28, 2023. Payments under the lease include interest at 3.25%. Total lease expenses under this agreement were \$13,500 including \$306 of interest.

Future years repayment schedule:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,241	\$ 9	\$ 2,250

Note 10 - 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>2022</u>	<u>2021</u>
Assets	\$ 69,212,177	\$ 68,195,261
Liabilities	\$ 45,329,704	\$ 46,165,251
Equity	23,882,473	22,030,010
	<u>\$ 69,212,177</u>	<u>\$ 68,195,261</u>
Revenues	\$ 27,526,998	\$ 25,371,651
Expenses	25,447,966	25,123,490
Excess of revenues over (under) expenses	<u>\$ 2,079,032</u>	<u>\$ 248,161</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.

NOTES TO FINANCIAL STATEMENTS (Continued)
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2022 and 2021

Note 11 - 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, 2022 and 2021, the District has reserved \$45,400 and \$35,800, 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 12 - 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, 2022 and 2021, no additions for system development - capital grant were transferred.

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 2022 and 2021 in the amount of \$470,998 and \$516,742, respectively, which were used to add to their system development.

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, 2022

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues				
Water charges	\$ 499,000	\$ 499,000	\$ 507,611	\$ 8,611
Sewer charges	544,451	544,451	528,368	(16,083)
Tap connection fees	800	800	6,400	5,600
Other operating income	<u>4,700</u>	<u>4,700</u>	<u>60,125</u>	<u>55,425</u>
Total Revenues	<u>1,048,951</u>	<u>1,048,951</u>	<u>1,102,504</u>	<u>53,553</u>
Nonoperating Revenues				
General property tax	52,520	52,520	52,436	(84)
Specific ownership tax	5,500	5,500	7,463	1,963
Interest income	550	550	3,636	3,086
Federal and state grants	1,151,250	1,151,250	472,273	(678,977)
System Development fees	11,000	11,000	337,300	326,300
Proceeds from sale of capital assets	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,383,460</u>	<u>83,460</u>
Total Nonoperating Revenues	<u>2,520,820</u>	<u>2,520,820</u>	<u>2,256,568</u>	<u>(264,252)</u>
Total Revenues	<u>3,569,771</u>	<u>3,569,771</u>	<u>3,359,072</u>	<u>(210,699)</u>
Operating Expenses				
Source of Supply				
Power purchased for pumping	30,000	30,000	30,429	(429)
Operating supplies	3,000	3,000	5,635	(2,635)
Purchased services	107,000	107,000	25,251	81,749
Repairs and maintenance	2,000	2,000	9,715	(7,715)
Salaries	32,535	32,535	33,286	(751)
Employee health insurance	6,113	6,113	6,507	(394)
Payroll taxes	<u>2,400</u>	<u>2,400</u>	<u>2,609</u>	<u>(209)</u>
Total Source of Supply	<u>183,048</u>	<u>183,048</u>	<u>113,432</u>	<u>69,616</u>
Water Treatment Expense				
Operating supplies	3,100	3,100	6,355	(3,255)
Professional development	1,500	1,500	3,473	(1,973)
Purchased services	2,500	2,500	4,914	(2,414)
Repairs and maintenance	2,000	2,000	2,869	(869)
Salaries	32,535	32,535	33,286	(751)
Employee health insurance	6,113	6,113	6,507	(394)
Payroll taxes	<u>2,400</u>	<u>2,400</u>	<u>2,610</u>	<u>(210)</u>
Total Water Treatment Expense	<u>50,148</u>	<u>50,148</u>	<u>60,014</u>	<u>(9,866)</u>
Transmission and Distribution Expense				
Operating supplies	3,700	3,700	5,557	(1,857)
Purchased services	9,000	9,000	8,350	650
Repairs and maintenance	5,000	5,000	21,354	(16,354)
Salaries	32,535	32,535	33,286	(751)
Employee health insurance	6,113	6,113	6,507	(394)
Payroll taxes	<u>2,400</u>	<u>2,400</u>	<u>2,610</u>	<u>(210)</u>
Total Transmission and Distribution	<u>58,748</u>	<u>58,748</u>	<u>77,664</u>	<u>(18,916)</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, 2022

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Collection and Transmission Expenses				
Power purchased for pumping	\$ 2,500	\$ 2,500	\$ 2,385	\$ 115
Operating supplies	2,500	2,500	5,586	(3,086)
Purchased services	3,000	3,000	5,169	(2,169)
Repairs and maintenance	2,500	2,500	4,419	(1,919)
Salaries	32,535	32,535	33,287	(752)
Employee health insurance	6,113	6,113	6,508	(395)
Payroll taxes	2,400	2,400	2,609	(209)
Total Collection and Transmission	<u>51,548</u>	<u>51,548</u>	<u>59,963</u>	<u>(8,415)</u>
Sewage Treatment Expenses				
Power purchased for pumping	15,000	15,000	20,403	(5,403)
Operating supplies	3,100	3,100	6,248	(3,148)
Purchased services	74,000	74,000	6,543	67,457
Repairs and maintenance	7,000	7,000	8,837	(1,837)
Salaries	32,535	32,535	33,286	(751)
Employee health insurance	6,113	6,113	6,508	(395)
Payroll taxes	2,400	2,400	2,609	(209)
Professional development	2,500	2,500	1,057	1,443
Total Sewage Treatment Expense	<u>142,648</u>	<u>142,648</u>	<u>85,491</u>	<u>57,157</u>
Administrative and General				
Amortization	-	-	13,194	(13,194)
Auditing	13,000	13,000	-	13,000
Directors' fees and meeting expenses	12,000	12,000	6,050	5,950
Election	2,000	2,000	244	1,756
Employee health insurance	30,564	30,564	32,633	(2,069)
Insurance	19,000	19,000	18,970	30
Interest	-	-	306	(306)
Miscellaneous	3,000	3,000	1,257	1,743
Office supplies	4,500	4,500	10,735	(6,235)
Payroll taxes	10,400	10,400	14,196	(3,796)
Postage	1,500	1,500	1,185	315
Printing, duplicating, etc.	2,750	2,750	4,705	(1,955)
Professional development	3,000	3,000	2,503	497
Professional services	41,200	41,200	64,136	(22,936)
Publications, dues	7,700	7,700	4,157	3,543
Rents	14,850	14,850	-	14,850
Salaries	204,037	204,037	179,997	24,040
Travel	4,500	4,500	4,544	(44)
Utilities	15,000	15,000	14,009	991
Total Administrative and General Expenses	<u>389,001</u>	<u>389,001</u>	<u>372,821</u>	<u>16,180</u>
Total Operating Expenses	<u>875,141</u>	<u>875,141</u>	<u>769,385</u>	<u>105,756</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, 2022

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Nonoperating Expenditures				
Treasurer's collection fees	\$ 2,500	\$ 2,500	\$ 2,643	\$ (143)
Interest expense	31,568	31,568	35,654	(4,086)
Principal paid on finance lease	31,543	31,543	392,738	(361,195)
Principal paid on DOLA loan	4,346	4,346	4,792	(446)
Principal paid on CWRPDA Loan	-	-	162,631	(162,631)
Capital outlay	<u>2,503,250</u>	<u>2,503,250</u>	<u>815,522</u>	<u>1,687,728</u>
Total Nonoperating Expenditures	<u>2,573,207</u>	<u>2,573,207</u>	<u>1,413,980</u>	<u>1,159,227</u>
Total Expenditures	<u>3,448,348</u>	<u>3,448,348</u>	<u>2,183,365</u>	<u>1,264,983</u>
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	121,423	121,423	1,175,707	1,054,284
Funds Available - Beginning of Year	<u>-</u>	<u>-</u>	<u>372,614</u>	<u>372,614</u>
Funds Available - End of Year	<u>\$ 121,423</u>	<u>\$ 121,423</u>	<u>\$ 1,548,321</u>	<u>\$ 1,426,898</u>

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

BUDGET RECONCILIATION
 ROUND MOUNTAIN WATER AND SANITATION DISTRICT
 December 31, 2022

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)	\$ 3,359,072
Plus:	
Gain on sale of assets	824,720
Less:	
Capital grants	(470,998)
Proceeds from sale of capital assets	(1,383,460)
System development fees	<u>(337,300)</u>
Revenue (GAAP Basis)	<u>1,992,034</u>
Expenditures (Budgetary Basis)	2,183,365
Plus:	
Depreciation	251,568
Bad debts	209
Less:	
Change in vacation/sick leave accrual	2,830
Capital outlay	(815,522)
Principal payments	<u>(560,161)</u>
Expenditures (GAAP Basis)	<u>1,062,289</u>
Income (Loss) Before Capital Contribution	<u>\$ 929,745</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Source of Supply		
Depreciation	\$ 41,523	\$ 41,028
Power purchased for pumping	30,429	25,766
Operating supplies	5,635	4,087
Purchased services	25,251	50,794
Repairs and maintenance	9,715	1,955
Salaries and wages	33,648	24,556
Employee health insurance	6,507	5,279
Payroll taxes	<u>2,609</u>	<u>1,971</u>
Total Source of Supply	<u>155,317</u>	<u>155,436</u>
 Water Treatment Expense		
Operating supplies	6,355	5,087
Professional development	3,473	1,086
Purchased services	4,914	3,851
Repairs and maintenance	2,869	1,894
Salaries and wages	33,648	24,556
Employee health insurance	6,507	5,279
Payroll taxes	<u>2,610</u>	<u>1,971</u>
Total Water Treatment Expense	<u>60,376</u>	<u>43,724</u>
 Transmission and Distribution Expense		
Depreciation	134,613	69,034
Operating supplies	5,557	5,109
Purchased services	8,350	4,447
Repairs and maintenance	21,354	22,364
Salaries and wages	33,648	24,556
Employee health insurance	6,507	5,279
Payroll taxes	2,610	1,971
Bad debt	<u>44</u>	<u>147</u>
Total Transmission and Distribution Expense	<u>212,683</u>	<u>132,907</u>
 Total Water Operating Expenses	 <u>\$ 428,376</u>	 <u>\$ 332,067</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Collection and Transmission Expenses:		
Depreciation	\$ 43,500	\$ 43,158
Power purchased for pumping	2,385	2,339
Operating supplies	5,586	3,900
Purchased services	5,169	6,063
Repairs and maintenance	4,419	1,450
Salaries and wages	33,648	24,556
Employee health insurance	6,508	5,279
Payroll taxes	<u>2,609</u>	<u>1,971</u>
Total Collection and Transmission Expenses	<u>103,824</u>	<u>88,716</u>
 Sewage Treatment Expenses:		
Depreciation	7,794	9,376
Power purchased for pumping	20,403	15,885
Operating supplies	6,248	5,052
Professional development	1,057	1,475
Purchased services	6,543	4,193
Repairs and maintenance	8,837	8,160
Salaries and wages	33,647	24,556
Employee health insurance	6,508	5,280
Payroll taxes and other employee benefits	<u>2,609</u>	<u>1,972</u>
Total Sewage Treatment Expense	<u>93,646</u>	<u>75,949</u>
Total Sewage Operating Expenses	<u>\$ 197,470</u>	<u>\$ 164,665</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Administration and General:		
Amortization	\$ 13,194	\$ 10,743
Auditing	-	11,929
Bad Debts	165	465
Depreciation	24,138	25,775
Directors' fees and meeting expenses	6,050	6,800
Election	244	-
Employee health insurance	32,633	30,490
Insurance	18,970	23,748
Interest	306	2,757
Miscellaneous	1,257	2,560
Office supplies	10,289	8,687
Operating supplies	446	294
Payroll taxes	14,196	13,629
Postage	1,185	1,100
Printing, duplicating, etc.	4,705	781
Professional development	2,503	700
Professional services	64,136	39,095
Publications, dues	4,157	10,321
Salaries and wages	181,019	172,676
Travel	4,544	2,215
Utilities	<u>14,009</u>	<u>12,218</u>
Total Administrative and General Expenses	\$ <u>398,146</u>	\$ <u>376,983</u>

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