AUDITED FINANCIAL STATEMENTS

ROUND MOUNTAIN WATER AND SANITATION DISTRICT

WESTCLIFFE, COLORADO

December 31, 2025 and 2024

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Independent Auditor's Report

August 20, 2026

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, 2025 and 2024, 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, 2025 and 2024, 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.

Harren, Ross & DeMarco, Inc.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2025, 2024 and 2023

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, 2025. 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.

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

	2025	2024	2023
Assets			
Current assets	$ 3,413,709	$ 3,417,454	$ 2,848,837
Noncurrent assets	-	190,913	264,007
Capital assets, net of accumulated depreciation	5,281,237	5,228,006	5,320,921
Total Assets	$ 8,694,946	$ 8,836,373	$ 8,433,765
Liabilities			
Current liabilities	$ 159,905	$ 135,726	$ 147,258
Noncurrent liabilities	891,486	1,398,645	1,384,255
Total Liabilities	$ 1,051,391	$ 1,534,371	$ 1,531,513
Deferred Inflows of Resources	$ 69,693	$ 60,597	$ 61,000
Net Position			
Capital assets, net of related debt	$ 4,335,272	$ 4,017,387	$ 4,056,515
Restricted for capital projects	-	190,913	264,007
Restricted for emergency	57,900	52,400	46,900
Unrestricted, restated	3,180,690	3,121,205	2,473,830
Total Net Position	$ 7,573,862	$ 7,381,905	$ 6,841,252

A restatement of net position was made that affected December 31, 2024. (See note 12, page 18)

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2025, 2024 and 2023

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024	2023
Revenues			
Operating revenues:			
Water sales	$ 709,793	$ 645,789	$ 589,851
Sewer charges	614,984	582,284	546,321
Tap connection fees – water	400	4,000	1,900
Tap connection fees – sewer	400	2,564	700
Other (rents, penalties, misc. charges)	37,843	28,305	20,529
Non-operating revenues:			
General property tax	60,168	66,261	53,068
Specific ownership tax	7,241	7,809	7,557
Gain (loss) on disposal of assets	-	-	1,500
State/federal grants	291,631	-	1,690
Interest income	113,063	129,608	95,946
Total Revenues	1,835,523	1,466,620	1,319,062
Expenses			
Operating expenses:			
Water operations	434,836	309,058	254,239
Sewer operations	620,924	216,388	162,612
Admin & general	536,201	541,748	507,877
Water system depreciation	206,924	205,334	184,804
Sewer system depreciation	50,035	46,894	50,454
Admin & general depreciation	36,888	34,606	24,124
Non-operating expenses:			
County Treasurer's collection fees	2,088	2,813	2,653
Interest expense	17,261	19,449	20,583
Total Expenses	1,905,157	1,376,290	1,207,346
Income (loss) before contributions	(69,634)	90,330	111,716
Capital contributions, net of rebates	256,100	368,000	170,000
Capital grants	5,491	82,323	127,752
Change in net income	191,957	540,653	409,468
Net position -- beginning of year	7,381,905	6,841,252	6,431,784
Net position -- end of year	$ 7,573,862	$ 7,381,905	$ 6,841,252

Actual vs. Budget

	Actual on Budgetary Basis	Final Budget	Variance Favorable (Unfavorable)
REVENUE			
Water revenue	$ 709,793	$ 665,500	$ 44,293
Sewage revenue	614,984	609,500	5,484
Connection charges	800	5,400	(4,600)
System Development Fees:			
Plant investment charges	256,100	137,500	118,600
Interest income	113,063	50,000	63,063
Property and SO tax collections	67,409	66,097	1,312
Grant income	297,122	-	297,122
Other income	37,843	6,000	31,843
TOTAL REVENUES	2,097,114	1,539,997	557,117
EXPENDITURES			
Water system	429,206	462,276	33,070
Sewage system	617,559	243,534	(374,025)
Administration	531,221	551,013	19,792
Treasurer's collection fees	2,088	2,500	412
Interest expense	17,261	19,441	2.180
Principal payments - notes, bonds & finance lease	264,654	64,502	(200,152)
Capital outlay	361,410	631,373	269,963
TOTAL EXPENDITURES	2,223,399	1,974,639	(248,760)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	$ (126,285)	$ (434,642)	$ 308,357

MANAGEMENT'S DISCUSSION AND ANALYSIS
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
For the Years Ended December 31, 2025, 2024 and 2023

HIGHLIGHTS OF THE STATEMENT OF NET POSITION

Current assets ($3,413,709 in 2025) consist of cash, accounts receivable, grants receivable, property tax receivable, supply inventory, and prepaid insurance. This figure is $3,745 less than in 2024. The decrease in current assets is mostly due to less cash reserves net of increased receivables, inventories and prepaids 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 increase from 2024 to 2025 is $53,231 – being the 2025 net capital improvements of $361,410 less the 2025 depreciation and amortization expense of $308,179.

Capital projects and improvements during 2025 consisted of the following:

• Land and Land rights	$	45,000
• Water wells, pumping and treatment improvements	$	44,547
• Water transmission and distribution	$	125,322
• Sewer collection and transmission	$	114,549
• Sewer treatment plant	$	-
• Transportation equipment	$	30,000
• Machinery, equipment, office equipment	$	1,992
• Right to use – leased office building	$	-

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

The $24,179 increase in current liabilities is primarily due to the increase in accrued compensated absences and accounts payable net of the current maturities of District's long-term obligations.

Noncurrent liabilities ($891,486) at 12-31-2025 are as follows:

- No customer deposits as of December 31, 2025 (See note 2, pages 10-11)
- $17,832 noncurrent portion of accrued compensated absences (see note 2, page 10 of the footnotes).
- $873,654 balance payable (net of $72,311 current maturities) on long-term obligations (see note 8, pages 15-16 of the footnotes).

Overall, noncurrent liabilities decreased $366,659 from 2024 to 2025. This is mostly due to the decrease of customer deposits and long term obligations net of increase of long term obligation of accrued compensation absences..

The District's **total net position** at the close of the 2025 fiscal year was $7,573,862, an increase of $191,957. Of this amount, $3,180,690 (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, 2025, 2024 and 2023

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 2024 to 2025, others showed decreases. The following are partial, but significant features of the overall $100,478 increase in combined operating revenue:

- Water charges $ 64,004
- Sewer charges $ 32,700
- Tap connection fees $ (5,764)
- Other operating income $ 9,538

Expenses – Combined operating expenses increased by $531,780 from 2024 to 2025. 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.

	2025	2024	2023
System development / plant investment fees of each tap fee, less rebates to developers)	$ 256,100	$ 368,000	$ 170,000
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.	$ 5,491	$ 82,323	$ 127,752

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 $49,777 over budget.

Tap connection charges and **system development fees/capital contributions** (the plant investment portion of the tap fee, and capital grants by developers) were over budget by a combined $411,122. The District had to institute a moratorium on new tap sale during 2022 and released January 1, 2024. **Capital expenditures** were under budget by $269,963.

HIGHLIGHTS OF THE ACTUAL VS. BUDGET (Continued)

Earnings on deposits and investments were $63,063 over budget, a result of increased interest rates and investing reserves with CSAFE.

Water and sewer system expenses were over budget by $340,955. Administration costs were under budget by $19,792.

The actual vs. budget accounting reflects an favorable $308,357 excess of revenue over expenditures. Total expenditures were over the $1,974,639 budget appropriation by $248,760.

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 was 2.499 mills applied to a 2022 assessed valuation of $21,156,167.
The 2024 property tax levy was 2.499 mills applied to a 2023 assessed valuation of $22,609,865.
The 2025 property tax levy was 2.499 mills applied to a 2024 assessed valuation of $24,248,525.
The 2026 property tax levy will be 2.499 mills applied to a 2025 assessed valuation of $27,888,360.

WHAT'S IN THE FUTURE?

Each year, the District carefully monitors its income streams and expenses to implement 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.

WHAT'S IN THE FUTURE? (Continued)

District Projects:

Water Enterprise Projects:
The District completed a water system improvement project in 2025 that addressed the need to replace aged water meters throughout the distribution system and the upgrade of a failing municipal well. This project resulted in a net neutral cost to District customers as additional income captured from accurate water metering along with significant electrical savings produced by newly installed 50 KW solar array offsets the financial cost of the project.

The District has partnered with the Upper Arkansas River Conservancy District to construct an additional water storage reservoir to be used to store both District's augmentation water. Final design is complete and the project has been awarded to a local contractor. Construction is set to start in September of 2026 and to be completed in May of 2027. Project cost is $2.5 million.

The District's undersized and aging water distribution system needs major upsizing and upgrading to supply current and future demands. The District also needs an additional 800,000-gallon finished water storage tank to address current and future water supply demands. The projected cost for these upgrades is around $20,000,000.

Wastewater Enterprise Projects:
The Colorado Department of Public Health and Environment approved the District's request to design and implement a demonstration pilot study to prove the effectiveness of a new emerging technology not yet accepted for use in Colorado. Two grants have been obtained that will finance 75% of the pilot project cost. If successful, this technology could provide rural communities with a wastewater treatment system that could cost 1/3rd of existing treatment technologies. Construction is 70% complete and the pilot study is scheduled to commence in the fall of 2026 and be complete in the spring of 2028.

REQUESTS FOR INFORMATION

If you have questions, please contact the General 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, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 255,550	$ 672,391
Investments	2,795,366	2,420,570
Receivables		
Accounts receivable	107,777	87,918
Grant	-	28,674
Property tax	69,693	60,597
Inventories	116,620	91,190
Prepaid expenses	68,703	56,114
Total Current Assets	3,413,709	3,417,454
Noncurrent Assets		
Escrow - debt proceeds	-	190,913
Capital assets		
Non-depreciable	1,052,024	1,007,025
Depreciable - net	4,229,213	4,220,981
Total Noncurrent Assets	5,281,237	5,418,919
Total Assets	$ 8,694,946	$ 8,836,373
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 55,848	$ 31,831
Accrued compensated absences - due within one year	31,746	24,174
Long-term obligations - due within one year	72,311	79,721
Total Current Liabilities	159,905	135,726
Noncurrent Liabilities		
Customer deposits	-	114,600
Accrued compensated absences - due in more than one year	17,832	12,647
Long-term obligations - due in more than one year	873,654	1,130,898
Total Noncurrent Liabilities	891,486	1,258,145
Total Liabilities	1,051,391	1,393,871
Deferred Inflows of Resources		
Unavailable revenue - property tax	69,693	60,597
Net Position		
Invested in capital assets, net of related debt	4,335,272	4,017,387
Restricted for capital projects	-	190,913
Restricted for emergency	57,900	52,400
Unrestricted	3,180,690	3,121,205
Total Net Position	$ 7,573,862	$ 7,381,905

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, 2025 and 2024

	2025	2024
Operating Revenues		
Water charges	$ 709,793	$ 645,789
Sewage charges	614,984	582,284
Tap connection fees	800	6,564
Other operating income	37,843	28,305
Total Operating Revenues	1,363,420	1,262,942
Operating Expenses		
Water operating expenses		
Source of supply	152,362	169,896
Water treatment	89,841	82,886
Transmission and distribution	365,746	261,610
General field expense	33,811	-
Sewage operating expenses		
Collection and transmission	166,240	154,335
Sewage treatment	473,277	108,947
General field expense	31,442	-
Administrative and general	573,089	576,354
Total Operating Expenses	1,885,808	1,354,028
Net Operating Income (Loss)	(522,388)	(91,086)
Nonoperating Revenue (Expenses)		
General property tax	60,168	66,261
Specific ownership tax	7,241	7,809
Federal and state grants	291,631	-
Interest income	113,063	129,608
Interest expense	(17,261)	(19,449)
Treasurer's collection fees	(2,088)	(2,813)
Total Nonoperating Revenues (Expenses)	452,754	181,416
Income (Loss) Before Capital Contributions	(69,634)	90,330
Capital Contributions		
System development fees	256,100	368,000
Capital grants	5,491	82,323
Total Capital Contributions	261,591	450,323
Net Income (Loss)	191,957	540,653
Total Net Position - Beginning, restated	7,381,905	6,841,252
Total Net Position - Ending, restated	$ 7,573,862	$ 7,381,905

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, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	$ 1,343,561	$ 1,258,143
Cash payments to suppliers for goods and services	(1,041,399)	(543,167)
Cash payments to employees for services	(574,003)	(502,500)
Net Cash Provided (Used) by Operating Activities	(271,841)	212,476
Cash Flows From Noncapital Financing Activities		
Cash received from property tax	67,409	74,070
Cash paid for treasurer's fees	(2,088)	(2,813)
Net Cash Provided by Noncapital Financing Activities	65,321	71,257
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(338,494)	(224,586)
Proceeds from state and federal grants	325,796	71,741
Escrow restricted to capital purchases	190,913	73,094
Customer deposits	(114,600)	(75,202)
Principal paid on long-term obligations	(250,322)	(64,237)
Interest paid on debt	(17,981)	(19,704)
System development fees collected	256,100	368,000
Net Cash Provided (Used) by Capital and Related Financing Activities	51,412	129,106
Cash Flows From Investing Activities		
Purchase of investments	(374,796)	(125,872)
Interest income	113,063	129,608
Net Cash Provided (Used) by Investing Activities	(261,733)	3,736
Net Increase (Decrease) in Cash and Cash Equivalents	(416,841)	416,575
Cash and Cash Equivalents - Beginning	672,391	255,816
Cash and Cash Equivalents - Ending	$ 255,550	$ 672,391
Supplemental Disclosures of Non-Cash Capital and Related Financing Information		
Taps installed from customer deposits	$ 114,600	$ 42,000

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, 2025 and 2024

	2025	2024
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	$ (522,388)	$ (91,086)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	293,847	286,834
(Increase) decrease in:		
Accounts receivable	(19,859)	(4,799)
Inventory	(25,430)	11,259
Prepaid expense	(12,589)	(22,451)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,821	15,198
Compensated absences	12,757	17,521
Net Cash Provided by Operations	$ (271,841)	$ 212,476

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

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.

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, 2025 and 2024, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

Accounting Principles - Leases (Continued)
Under this standard, a lease 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.

Accounting Principles - SBITA
In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This standard requires the recognition of a right-to-use subscription, an intangible asset, and a corresponding liability. A subscription liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at present value of subscription payments expected to be made during the subscription term. Future payments are discounted using the interest rate that the SBITA vendor charges the government, which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. Amortization of the discount is recognized as an outflow of resources in subsequent reporting periods. The asset is measured as the sum of the initial liability, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Amortization of the asset is recognized as an outflow of resources over the subscription term. The District currently has no arrangements that require application of this standard.

Recent Accounting Pronouncements
In June 2022, the GASB issued Statement 100, *Accounting Changes and Errors Corrections*. This standard enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District adopted the standard on January 1, 2024 and it did not have a material impact on the District's financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. This standard updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District adopted the standard on January 1, 2024. There was no effect on beginning net position.

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, 2025 and 2024 the amount of accrued sick leave and vacation pay was $49,578 and $36,821, respectively.

System Development Fees
The District charges fees to join the utility system. The basic connection charge (tap fee) is currently $27,500. Effective 2024, the basic connection charge (tap fee) is $13,500 for a sewer tap and $14,000 for a water tap.

Note 2 - Significant Accounting Policies (Continued)

System Development Fees (Continued)

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. For the years ended December 31, 2025 and 2024, the additions to contributed capital - system development fees, net of rebates were $256,100 and $368,000, respectively. The District placed a water and sewer tap moratorium in effect from January 1, 2022 until January 1, 2024.

Customer deposits at December 31, 2025 and 2024 were $0 and $114,600, respectively. Deposits are payments of tap fees that have not been installed. Tap fees collected after January 1, 2024 do not expire, but are not allowed to be returned to the District for a refund.

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 2025 and will not be collected until 2026 have been recorded as a receivable at December 31, 2025 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, 2025 and 2024, the District estimates its reserve requirement at $59,700 and $52,400, respectively.

On May 5, 1998, the District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 1998 and thereafter.

Note 3 - Stewardship, Compliance and Accountability (Continued)

Budget and Budgetary Data

Formal budgetary accounting is employed as a management control tool for the proprietary fund of the District. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. The budgetary amounts presented in the accompanying financial statements/schedules reflect original and most recent amended amounts which were adopted in accordance with the appropriate provisions of state law.

Encumbrance accounting is not employed as part of the budgetary process. Encumbrance accounting allows a governmental entity to account for open purchase orders (purchase orders for which the underlying goods or services have not been received before the end of an accounting period) as expenditures against the budget of that accounting period.

Differences between the budgetary reporting basis and the generally accepted accounting principles (GAAP) basis used to reflect actual revenues and expenses are described as follows.

1. Depreciation, bad debt expense and accruals for compensated absences are not recognized on the budgetary basis and are treated as expenses on the GAAP basis.

2. Debt proceeds are treated as revenue and debt repayments and capital expenditures are treated as expenses on the budgetary basis. Debt proceeds are not treated as revenue and debt repayments and capital expenses are not treated as expenses on the GAAP basis.

3. Gain on sale of assets 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, 2025, the District had expenditures which exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law:

	Budget	Actual	Actual Over Budget
Operating and nonoperating expenditures	$ 1,974,639	$ 2,223,399	$ (248,760)

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 2025 or 2024.

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, 2025 and 2024, the District had deposits over $250,000 that were required to be collateralized under State statutes of $0 and $397,583, respectively.

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, 2025 and 2024, the District's cash deposits with a bank balance of $213,925 and $672,141, respectively.

A summary of cash and deposits held at year end follows:

	Carrying Amount	Less Than One Year	Less Than Five Years
Deposits:			
Checking accounts	$ 243,158	$ 243,158	$ -
Merchant accounts	12,142	12,142	-
Petty cash	250	250	-
Investments:			
Colorado Surplus Asset Fund Trust (CSAFE)	2,795,366	2,795,366	-
Total	$ 3,050,916	$ 3,050,916	$ -

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.

The District has invested $2,795,366 in Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado to pool surplus funds. CSAFE operates similarly to a money market fund and each share is equal in value to $1. U.S. Bank is the designated custodial bank that provides safekeeping and depository services to CSAFE and in connection with the direct investment and withdrawal functions of CSAFE. Substantially all securities owned by both entities are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSAFE.

The District categorizes its fair value measurement of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Note 4 - Cash Deposits and Investments (Continued)

The District does not have any investments that are measured using Level 3 inputs.

- The District's investment in CSAFE are reported at fair value. However, this investment is not subject to the fair value hierarchy.

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 date of purchase unless the governing body authorizes a longer period.

Credit Risk - The District does not have a policy which would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2025 the District's investment in CSAFE rates AAAmmf by Fitch Ratings.

Note 5 - Prepaid Expenses

Prepaid expenses consisted of the following at December 31:

	2025	2024
Prepaid insurance	$ 65,108	$ 54,989
Prepaid rent and dues	3,595	1,125
Total Prepaid Expenses	$ 68,703	$ 56,114

Note 6 - Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2025.

	Balance at 12-31-24	Additions	Deletions	Balance at 12-31-25
Non-depreciable assets:				
Land and land rights, etc.	$ 1,007,024	$ 45,000	$ -	$ 1,052,024
Depreciable assets:				
General equipment	116,949	-	-	116,949
Office Furniture	60,281	1,992	-	62,273
Transportation equipment	216,509	30,000	-	246,509
Source of supply	1,345,661	44,547	-	1,390,208
Water transmission and distribution	4,557,020	125,322	-	4,682,342
Sewage treatment plant	1,225,955	-	-	1,225,955
Sewage collection and distribution	1,538,728	114,549	-	1,653,277
Right to use lease- office building	30,383	-	-	30,383
	9,091,486	316,410	-	9,407,896
Totals	10,098,510	$ 361,410	$ -	10,459,920
Less accumulated depreciation and amortization:	$ (4,870,504)	$ (308,179)	$ -	$ (5,178,683)
Capital Assets, Net	$ 5,228,006			$ 5,281,237

Depreciation expense for the year ended December 31, 2025 was $293,847 and amortization expense of $14,332.

Note 6 - Capital Assets (Continued)

The following is a summary of the changes in capital assets for the year ended December 31, 2024.

	Balance at 12-31-23	Additions	Deletions	Balance at 12-31-24
Non-depreciable assets:				
Land and land rights, etc.	$ 1,002,024	$ 5,000	$ -	$ 1,007,024
Depreciable assets:				
General equipment	116,949	-	-	116,949
Office Furniture	54,499	5,782	-	60,281
Transportation equipment	202,870	13,639	-	216,509
Source of supply	1,306,147	39,514	-	1,345,661
Water transmission and distribution	4,438,047	118,973	-	4,557,020
Sewage treatment plant	1,225,955	-	-	1,225,955
Sewage collection and distribution	1,538,167	561	-	1,538,728
Right to use lease- Office building	24,749	30,383	24,749	30,383
	8,907,383	208,852	24,749	9,091,486
Totals	9,909,407	$ 213,852	$ 24,749	10,098,510
Less accumulated depreciation and amortization:	$ (4,588,486)	$ (299,191)	$ 17,173	$ (4,870,504)
Net Capital Assets	$ 5,320,921			$ 5,228,006

Depreciation expense for the year ended December 31, 2024 was $286,834 and amortization expense of $12,357.

Note 7 - Accounts Payable and Accrued Liabilities

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

	2025	2024
Accounts payable	$ 53,094	$ 28,358
Accrued interest	2,754	3,473
Total Accounts Payable and Accrued Liabilities	$ 55,848	$ 31,831

Note 8 - Long-Term Obligations

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2025:

	December 31, 2024	Additions	Reductions	December 31, 2025	Due Within One Year
System Improvements - note	$ 30,652	$ -	$ 5,547	$ 25,105	$ 5,825
Govt. Agency Bonds CWR and PDA	1,149,584	-	244,775	904,809	50,435
Right to use-lease liability	30,383	-	14,332	16,051	16,051
	$ 1,210,619	$ -	$ 264,654	$ 945,965	$ 72,311

Note 8 - Long-Term Obligations (Continued)

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:

Year Ending December 31	Principal	Interest	Total
2026	$ 5,825	$ 1,255	$ 7,080
2027	6,116	964	7,080
2028	6,422	658	7,080
2029	6,742	337	7,079
Total	$ 25,105	$ 3,214	$ 28,319

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:

Year Ending December 31	Principal	Interest	Total
2026	$ 50,435	$ 13,384	$ 63,819
2027	51,194	12,624	63,818
2028	51,965	11,853	63,818
2029	52,747	11,071	63,818
2030	53,542	10,277	63,819
2031-2035	280,046	39,047	319,093
2036-2040	301,772	17,321	319,093
2041	63,108	31,672	94,780
Total	$ 904,809	$ 147,249	$ 1,052,058

Right to use Lease Liability

$30,383 has been recorded as 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 December 31, 2026. Payments under the lease include interest at 8.50%. Total lease expenses under this agreement as of December 31, 2025 and 2024, were $14,332 including $668 and $13,625 including $1,268 of interest, respectively.

Future years repayment schedule:

Year Ending December 31	Principal	Interest	Total
2026	$ 16,051	$ 749	$ 16,800

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 for the years ended December 31, is as follows:

	2025	2024
Assets	$ 104,753,816	$ 86,648,039
Liabilities	$ 71,011,844	$ 57,746,885
Equity	33,741,972	28,901,154
	$ 104,753,816	$ 86,648,039
Revenues	$ 42,361,975	$ 34,779,245
Expenses	35,709,366	30,236,676
Excess of revenues over (under) expenses	$ 6,652,609	$ 4,542,569

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 - Defined Contribution Plan

Effective January 1, 2024, the District provides pension benefits for its full-time benefitted employees through a defined contribution plan administered by the Colorado Retirement Association. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and forfeitures, if any. Employees are eligible to participate upon the completion of their first full payroll period. As required by the terms of the plan, the District must contribute 3% of compensation to the plan and employees must match employer contributions. Employees are vested at 33.33% per year, becoming fully vested after three years, in employer contributions and earnings. Employer contributions forfeited by an employee before becoming fully vested are returned to the District

Note 10 - Defined Contribution Plan (Continued)

The District's total payroll for the years ended December 31, 2025 and 2024 was $510,761 and $481,751, respectively. The District's contributions were calculated using the base earnings of eligible, participating employees of $508,423 and $474,537. The District's required 3% contribution for 2025 and 2024 was $15,253 plus a $7,600 discretionary contribution and $14,236 plus a $7,200 discretionary contribution, employees required 3% contribution was $15,993 and $14,841, for a total of $38,846 and $36,277, respectively. The plan held no securities of the District or other related parties during the year or as of the end of the year.

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. For the years ended December 31, 2025 and 2024, the District has escrow proceeds restricted for capital projects of $0 and $190,913 and reserve for TABOR of $57,900 and $52,400, respectively.

Unrestricted net position are amounts that do not meet the definition of "invested in capital assets" or "restricted net position" and are available for the District's operations.

Note 12 - Prior Period Adjustment

The District determined that customer deposits were overstated $140,500 as of December 31, 2024. The policy changed where tap fees collected after January 1, 2024 do not expire, but are not allowed to be returned to the District for a refund. The prior period adjustment was for the year ending December 31, 2024. The effect of the restatement was to decrease the customer deposits, increase unrestricted net position and increase system development fees for December 31, 2024 by $140,500.

Beginning net position - December 31, 2023	$	6,841,252
Change in net position		400,153
Prior period adjustment		140,500
Beginning net position-December 31, 2024, as restated	$	7,381,905

Note 13 - 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, 2025 and 2024, 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 2025 and 2024 in the amount of $5,491 and $82,323, 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, 2025

	ORIGINAL BUDGET	FINAL BUDGET	2025 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues				
Water charges	$ 665,500	$ 665,500	$ 709,793	$ 44,293
Sewer charges	609,500	609,500	614,984	5,484
Tap connection fees	5,400	5,400	800	(4,600)
Other operating income	6,000	6,000	37,843	31,843
Total Revenues	1,286,400	1,286,400	1,363,420	77,020
Nonoperating Revenues				
General property tax	60,597	60,597	60,168	(429)
Specific ownership tax	5,500	5,500	7,241	1,741
Interest income	50,000	50,000	113,063	63,063
Federal and state grants	-	-	297,122	297,122
System Development fees	137,500	137,500	256,100	118,600
Total Nonoperating Revenues	253,597	253,597	733,694	480,097
Total Revenues	1,539,997	1,539,997	2,097,114	557,117
Operating Expenses				
Source of Supply				
Power purchased for pumping	15,000	15,000	12,508	2,492
Operating supplies	2,000	2,000	2,176	(176)
Purchased services	64,000	64,000	9,241	54,759
Repairs and maintenance	5,000	5,000	13,835	(8,835)
Salaries	60,705	60,705	54,166	6,539
Employee health insurance	12,466	12,466	9,011	3,455
Employer contributions	7,321	7,321	6,707	614
Total Source of Supply	166,492	166,492	107,644	58,848
Water Treatment Expense				
Operating supplies	2,000	2,000	2,254	(254)
Purchased services	4,000	4,000	718	3,282
Repairs and maintenance	3,000	3,000	15,304	(12,304)
Salaries	60,705	60,705	54,165	6,540
Employee health insurance	12,466	12,466	9,011	3,455
Employer contributions	7,321	7,321	6,707	614
Total Water Treatment Expense	89,492	89,492	88,159	1,333
Transmission and Distribution Expense				
Operating supplies	68,000	68,000	18,578	49,422
Purchased services	12,000	12,000	6,403	5,597
Repairs and maintenance	7,000	7,000	104,728	(97,728)
Salaries	60,705	60,705	54,166	6,539
Employee health insurance	12,466	12,466	9,011	3,455
Employer contributions	7,321	7,321	6,706	615
Total Transmission and Distribution	167,492	167,492	199,592	(32,100)

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, 2025

	ORIGINAL BUDGET	FINAL BUDGET	2025 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Field Expense - Water				
Operating supplies	9,400	9,400	17,199	(7,799)
Professional development	3,000	3,000	402	2,598
Repairs and maintenance	15,550	15,550	8,023	7,527
Travel	3,350	3,350	1,560	1,790
Utilities	7,500	7,500	6,627	873
Total General Field Expense	38,800	38,800	33,811	4,989
Collection and Transmission Expenses				
Power purchased for pumping	$ 2,500	$ 2,500	$ 2,530	$ (30)
Operating supplies	2,000	2,000	1,767	233
Purchased services	4,000	4,000	12,300	(8,300)
Repairs and maintenance	8,000	8,000	32,144	(24,144)
Salaries	60,705	60,705	54,166	6,539
Employee health insurance	12,466	12,466	9,011	3,455
Employer contributions	7,321	7,321	6,707	614
Total Collection and Transmission	96,992	96,992	118,625	(21,633)
Sewage Treatment Expenses				
Power purchased for pumping	20,000	20,000	20,603	(603)
Operating supplies	2,000	2,000	1,723	277
Purchased services	16,000	16,000	349,552	(333,552)
Repairs and maintenance	8,000	8,000	25,049	(17,049)
Salaries	60,705	60,705	54,165	6,540
Employee health insurance	12,466	12,466	9,010	3,456
Employer contributions	7,321	7,321	6,707	614
Professional development	-	-	683	(683)
Total Sewage Treatment Expense	126,492	126,492	467,492	(341,000)
General Field Expense - Wastewater				
Operating supplies	5,400	5,400	16,788	(11,388)
Professional development	500	500	402	98
Repairs and maintenance	7,350	7,350	5,964	1,386
Travel	1,800	1,800	1,559	241
Utilities	5,000	5,000	6,729	(1,729)
Total Transmission and Distribution	20,050	20,050	31,442	(11,392)

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, 2025

	ORIGINAL BUDGET	FINAL BUDGET	2025 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Administrative and General				
Amortization	-	-	14,332	(14,332)
Auditing	25,000	25,000	26,100	(1,100)
Directors' fees and meeting expenses	12,000	12,000	5,400	6,600
Election	2,000	2,000	-	2,000
Employee health insurance	47,133	47,133	38,573	8,560
Insurance	27,500	27,500	49,296	(21,796)
Interest	-	-	668	(668)
Miscellaneous	3,000	3,000	1,187	1,813
Office supplies	2,500	2,500	5,394	(2,894)
Employer contributions	19,990	19,990	29,307	(9,317)
Postage	2,000	2,000	1,621	379
Printing, duplicating, etc.	4,750	4,750	5,439	(689)
Professional development	6,500	6,500	4,771	1,729
Professional services	72,500	72,500	76,784	(4,284)
Publications, dues	6,200	6,200	3,162	3,038
Rents	15,000	15,000	-	15,000
Salaries	278,940	278,940	240,334	38,606
Travel	6,000	6,000	8,883	(2,883)
Utilities	20,000	20,000	19,970	30
Total Administrative and General Expenses	551,013	551,013	531,221	19,792
Total Operating Expenses	1,256,823	1,256,823	1,577,986	(321,163)
Nonoperating Expenditures				
Treasurer's collection fees	$ 2,500	$ 2,500	$ 2,088	$ 412
Interest expense	19,441	19,441	17,261	2,180
Principal paid on finance lease	-	-	14,332	(14,332)
Principal paid on DOLA loan	5,547	5,547	5,547	-
Principal paid on CWRPDA Loan	58,955	58,955	244,775	(185,820)
Capital outlay	92,000	631,373	361,410	269,963
Total Nonoperating Expenditures	178,443	717,816	645,413	72,403
Total Expenditures	1,435,266	1,974,639	2,223,399	(248,760)
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	104,731	(434,642)	(126,285)	308,357
Funds Available - Beginning of Year	-	-	2,306,544	2,306,544
Funds Available - End of Year	$ 104,731	$ (434,642)	$ 2,180,259	$ 2,614,901

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

BUDGET RECONCILIATION
ROUND MOUNTAIN WATER AND SANITATION DISTRICT
December 31, 2025

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (Budgetary Basis)		$ 2,097,114
Plus:		
Less:		
Capital grants		(5,491)
System development fees		(256,100)
	Revenue (GAAP Basis)	1,835,523
Expenditures (Budgetary Basis)		2,223,399
Plus:		
Depreciation		293,847
Bad debts		1,218
Change in vacation/sick leave accrual		12,757
Less:		
Capital outlay		(361,410)
Principal payments		(264,654)
	Expenditures (GAAP Basis)	1,905,157
	Income (Loss) Before Capital Contribution	$ (69,634)

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, 2025 and 2024

	2025	2024
Source of Supply		
Depreciation	$ 43,036	$ 48,002
Power purchased for pumping	12,508	11,521
Operating supplies	2,176	4,988
Purchased services	9,241	11,838
Repairs and maintenance	13,835	31,667
Salaries and wages	55,683	48,794
Employee health insurance	9,011	6,998
Employer contributions	6,872	6,088
Total Source of Supply	152,362	169,896
Water Treatment Expense		
Operating supplies	2,254	5,654
Professional development	-	2,824
Purchased services	718	3,741
Repairs and maintenance	15,304	8,787
Salaries and wages	55,682	48,794
Employee health insurance	9,011	6,998
Employer contributions	6,872	6,088
Total Water Treatment Expense	89,841	82,886
Transmission and Distribution Expense		
Depreciation	163,887	157,332
Operating supplies	18,578	9,900
Purchased services	6,403	4,992
Repairs and maintenance	104,728	26,582
Salaries and wages	55,683	48,794
Employee health insurance	9,011	6,998
Employer contributions	6,871	6,088
Bad debt	585	924
Total Transmission and Distribution Expense	365,746	261,610
Water - General Field Expense		
Operating supplies	17,199	-
Professional development	402	-
Repairs and maintenance	8,023	-
Travel, meetings & meals	1,560	-
Utilities	6,627	-
Total Water General Field Expense	33,811	-
Total Water Operating Expenses	$ 641,760	$ 514,392

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, 2025 and 2024

	2025	2024
Collection and Transmission Expenses:		
Depreciation	$ 45,933	$ 42,379
Power purchased for pumping	2,530	2,441
Operating supplies	1,767	4,343
Purchased services	12,300	6,207
Repairs and maintenance	32,144	37,085
Salaries and wages	55,683	48,794
Employee health insurance	9,011	6,998
Employer contributions	6,872	6,088
Total Collection and Transmission Expenses	166,240	154,335
Sewage Treatment Expenses:		
Depreciation	4,103	4,515
Power purchased for pumping	20,603	21,602
Operating supplies	1,723	5,976
Professional development	683	649
Purchased services	349,552	6,730
Repairs and maintenance	25,049	7,595
Salaries and wages	55,682	48,793
Employee health insurance	9,010	6,998
Employer contributions	6,872	6,089
Total Sewage Treatment Expense	473,277	108,947
Sewage - General Field Expense		
Operating supplies	16,788	-
Professional development	402	-
Repairs and maintenance	5,964	-
Travel, meetings & meals	1,559	-
Utilities	6,729	-
Total Sewage General Field Expense	31,442	-
Total Sewage Operating Expenses	$ 670,959	$ 263,282

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, 2025 and 2024

	2025	2024
Administration and General:		
Amortization	$ 14,332	$ 12,357
Auditing	26,100	26,396
Bad Debts	633	195
Depreciation	36,888	34,606
Directors' fees and meeting expenses	5,400	6,700
Election	-	-
Employee health insurance	38,573	35,229
Insurance	49,296	45,655
Interest	668	1,268
Miscellaneous	1,187	1,568
Office supplies	5,361	9,459
Operating supplies	33	116
Employer contributions	29,731	32,390
Postage	1,621	1,618
Printing, duplicating, etc.	5,439	5,236
Professional development	4,771	3,355
Professional services	76,784	70,952
Publications, dues	3,162	2,927
Salaries and wages	244,257	251,699
Travel	8,883	10,899
Utilities	19,970	23,729
Total Administrative and General Expenses	$ 573,089	$ 576,354

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