

**PARKVILLE WATER DISTRICT  
LEADVILLE, COLORADO**

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FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT

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DECEMBER 31, 2021 and 2020

**LEADVILLE WATER DISTRICT  
LEADVILLE, COLORADO**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Parkville Water District  
Leadville, Colorado

### *Opinion*

We have audited the financial statements of the business-type activities of Parkville Water District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Parkville Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Parkville Water District as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 (GAAS). 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 Parkville Water 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.

### *Other Matter*

#### *Prior-Year Comparative Information*

The financial statements of Parkville Water District for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on September 27, 2021. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2020, from which such summarized information was derived.

### *Responsibilities of Management for the Financial Statements*

Parkville Water District's 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 Parkville Water District's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *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 GAAS 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 GAAS, 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 Parkville Water 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 Parkville Water 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 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parkville Water District's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Watson Coon Ryan, LLC*

Watson Coon Ryan, LLC  
Centennial, Colorado  
July 19, 2022

## **PARKVILLE WATER DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Parkville Water District (PWD), we offer readers of PWD's financial statements this narrative overview of the financial activities of PWD for the fiscal year ending December 31, 2021. We encourage readers to consider the information presented here in conjunction with PWD's financial statements and notes to the basic financial statements to enhance their understanding of PWD's financial performance.

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### **FINANCIAL HIGHLIGHTS**

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- In 2021, the assets of PWD exceed its liabilities at the close of the 2021 fiscal year by \$8,703,361 (net position). Of this amount \$2,411,142 (unrestricted net position) may be used to meet PWD's ongoing obligations. In 2021, total assets decreased \$41,777 while total liabilities decreased \$178,350 resulting in total net position increasing \$136,573.
- PWD's operating expenses increased in 2021 by \$430,203. General and administrative expenses increased by \$36,348 in 2021.
- Operating revenues increased by \$122,241 in 2021 primarily due to a rate increase.
- Operating revenues and capital contributions decreased by \$694,993.
- In 2021 JVA Engineering was awarded the bid for the Plant Design 2<sup>nd</sup> Phase project. A proposal from Glacier Construction was signed for the project. The project will be complete in 2022.

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of PWD. The financial statements also include notes that explain in more detail some of the information in the financial statements.

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## **REQUIRED FINANCIAL STATEMENTS**

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The financial statements of PWD report information of PWD using accounting methods similar to those used by private sector companies. These statements offer short-and long-term financial information about its activities. The Statement of Net Position includes all of PWD’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to PWD creditors (liabilities). It also provides the basis for evaluating the capital structure of PWD and assessing the liquidity and financial flexibility of PWD.

All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of PWD’s operations over the past year and can be used to determine whether PWD has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

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## **FINANCIAL ANALYSIS OF PWD**

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The most common financial question posed to PWD is “How did we do financially during 2021”. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about PWD’s activities in a way that will help answer this question.

These two statements report the net position of PWD and the changes in them. One can think of PWD’s net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in PWD’s net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

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**NET POSITION**

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To begin our analysis, a summary of PWD's Statement of Net Position is presented in Table A-1.

**Table A-1**  
**Condensed Statements of Net Position**

	<u>FY2021</u>	<u>FY2020</u>	<u>FY 2019</u>
Current and Other Assets	\$3,093,492	\$3,164,171	\$1,555,584
Capital Assets	<u>\$8,094,324</u>	<u>\$8,065,422</u>	<u>\$7,145,590</u>
Total Assets	<u>\$11,187,816</u>	<u>\$11,229,593</u>	<u>\$8,701,174</u>
Liabilities	<u>\$2,484,455</u>	<u>\$2,662,805</u>	<u>\$1,381,378</u>
Total Liabilities	<u>\$2,484,455</u>	<u>\$2,662,805</u>	<u>\$1,381,378</u>
Invested in Capital Assets	\$5,708,241	\$5,471,061	\$5,904,152
Restricted Net Position	\$ 583,978	\$ 525,814	\$ 151,485
Unrestricted Net Position	<u>\$2,411,142</u>	<u>\$2,569,913</u>	<u>\$1,264,159</u>
Total Net Position	<b><u>\$8,730,361</u></b>	<b><u>\$8,566,788</u></b>	<b><u>\$7,319,796</u></b>

As can be seen from Table A-1 above, net position increased \$136,573 to \$8,703,361 in 2021 from \$8,566,788 in 2020. Changes in Net Position included a \$28,902 increase in capital assets, \$70,679 decrease in current and other assets, and a \$178,350 decrease in current and other liabilities. Cash on hand is down from a net operating loss, A/R is up from growth in Leadville, capital assets are up from new waterlines and the plant expansion project and liability are down from current year loan payments.

**Table A-2**  
**Condensed Statements of Revenues,**  
**Expenses and Changes in Net Position**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
Operating Revenues	\$1,991,138	\$1,868,897	\$1,673,985
Non-operating Revenues	<u>\$ 243,648</u>	<u>\$ 938,641</u>	<u>\$ 414,096</u>
Total Revenues	<u>\$2,234,786</u>	<u>\$2,807,538</u>	<u>\$2,088,081</u>
Depreciation Expense	\$ 447,494	\$ 439,882	\$ 390,205
Operating Expense	\$ 966,926	\$ 580,683	\$ 597,658
General and Administrative Expense	<u>\$ 683,793</u>	<u>\$ 647,455</u>	<u>\$ 601,326</u>
Total Expenses	<u>\$2,098,213</u>	<u>\$1,668,010</u>	<u>\$1,589,189</u>
Income (Loss) Before Capital Contributions	<u>\$ 136,573</u>	<u>\$1,139,528</u>	<u>\$ 498,892</u>
Capital Contributions – Grant	<u>\$ 0</u>	<u>\$ 107,464</u>	<u>\$ 0</u>
Changes in Net Position	\$ 136,573	\$1,246,992	\$ 498,892
Beginning Net Position	<u>\$8,566,788</u>	<u>\$7,319,796</u>	<u>\$6,820,904</u>
Ending Net Position	<u><b>\$8,703,361</b></u>	<u><b>\$8,566,788</b></u>	<u><b>\$7,319,796</b></u>

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, the change in net position of \$136,573 resulted in the increase in net position in 2021.

PWD's operating revenues and non-operating revenues decreased by \$572,752 to \$2,234,786 in 2021. In 2021 the non-operating revenues and capital contributions decreased by \$1,002,955. This decrease is primarily due to a pre purchase of plant investment fees in 2020.

PWD's operating expenses increased in 2021 by \$386,243 and general and administrative expenses increased by \$36,348 in 2021. Due to fixing our out dated system, leaks and preparing for our capital plant expansion project due to complete in 2022. Also labor cost went up 5%.

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## **BUDGETARY HIGHLIGHTS**

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PWD adopts an annual operating budget following public budget workshops and a public hearing. The operating budget includes proposed expenses and the means of financing them. A 2021 budget comparison and analysis is presented to the Board of Directors as interim financial statements.

A 2021 budget comparison and analysis is presented in Table A-3.

**Table A-3**  
**Budget vs. Actual**  
**FY 2021**

	<u>Original/Final</u>	<u>Actual</u>	<u>Variance</u> Over and (Under)
Revenues			
From Operations	\$ 2,877,300	\$1,991,138	\$ (712,862)
Non-operating/loan proceeds	<u>\$ 111,000</u>	<u>\$ 243,648</u>	<u>\$ 132,648</u>
Total Revenue	<u>\$ 2,988,300</u>	<u>\$2,234,786</u>	<u>\$ (580,214)</u>
Operating Expenses			
Source of Supply	\$ 15,000	\$ 214	\$ 14,786
Power and Pumping	\$ 114,000	\$ 93,107	\$ 20,893
Water Treatment	\$ 146,400	\$ 160,622	\$ ( 14,222)
Transmission and Distribution	\$ 483,000	\$ 681,989	\$ (198,989)
Equipment Maintenance	\$ 58,000	\$ 30,994	\$ 27,006
Business Office	\$ 275,000	\$ 248,915	\$ 26,085
Employee Benefits	\$ 263,500	\$ 266,943	\$ (3,443)
Outside Services and Other	\$ 158,000	\$ 167,935	\$ ( 9,935)
Purchase of Property,	\$1,274,000	\$ 476,395	\$ 797,605
Loan Principal	<u>\$ 201,400</u>	<u>\$ 208,279</u>	<u>\$ 6,879</u>
Plant, and Equipment			
Total Expenses	<u>\$ 2,988,300</u>	<u>\$2,335,393</u>	<u>\$ (666,665)</u>
Net Loss per Budgetary Basis	<u>\$ (0)</u>	<u>\$ (100,607)</u>	<u>\$ (1,246,879)</u>

The revenue from operations was under budget by \$13,806. The expenses were under budget by \$659,786. The budget for 2021 had our plant expansion project to be completed but only ½ the designed engineering was completed. Project got postponed to 2022.

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## CAPITAL ASSETS

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At the end of 2021, PWD had \$15,104,174 invested in capital assets as shown in Table A-4. At the end of 2020, PWD had \$14,627,778 invested in capital assets. Increase is due to new waterlines and the plant expansion project.

**Table A-4**  
**Capital Assets**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
Source of Supply Plant	\$ 3,882,398	\$ 3,882,398	\$ 3,882,398
Pumping Plant	280,543	280,544	248,439
Water Treatment Plant	3,243,836	3,243,834	2,580,128
Transmission and Distribution Plant	5,321,390	5,168,097	4,902,697
General Plant	<u>2,052,903</u>	<u>2,052,905</u>	<u>2,004,476</u>
Sub-Total	\$14,781,070	\$14,627,778	\$13,618,138
Less Accumulated Depreciation	<u>\$ 7,009,850</u>	<u>\$ 6,562,356</u>	<u>\$ 6,472,548</u>
Net Property and Equipment	<b><u>\$ 8,094,324</u></b>	<b><u>\$ 8,065,422</u></b>	<b><u>\$ 7,145,590</u></b>
Construction in progress	\$ 323,104	\$ 0	\$ 0

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## DEBT ADMINISTRATION

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At December 31, 2012, PWD had a loan payable with Colorado Water Conservation Board (CWCB) for the Canterbury Tunnel Repair Project for \$1,026,371. The payments are \$59,355 annually for 30 years, beginning February 1, 2014. At December 31, 2021 the balance was \$857,749.

At December 31, 2016 PWD had a loan payable with CWCB for the Evans Reservoir Bypass Flume Replacement Project for \$181,800. The payments are \$20,186 annually for ten years, beginning on December 1, 2017. At December 31, 2021 the balance was \$0.

At December 31, 2020 PWD had a loan payable with Colorado Water Resources & Power Development Authority (CWR&PDA) for the Water Treatment Upgrade Project for \$1,606,445. The term of the loan is 20 years payable semi-annually beginning November 1, 2020 with an interest rate of 1.5%. The November 1, 2020 payment was \$9,677 and the payment due on May 1, 2021 is \$47,449. The payment due on November 1, 2021 is \$47,456 and remains this amount for the life of the loan. At December 31, 2021 the balance was \$1,528,334.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

During the Spring and early Summer of 2022, the focus is on preparation for two major projects. The Expansion of the Evans Gulch Water Treatment Plant, and the addition of an emergency generator at the Arkansas Wells Pump Station. An addition will be built onto the treatment plant building and a third filter unit will be added to provide much needed resiliency as well as increased production capacity in the treatment plant. The emergency generator at the Arkansas wells will allow us to pump water in the event of extended power outages. Grants we're awarded from DOLA to assist with both projects.

Work also continues in the distribution system, replacing outdated water mains and service lines.

**Table A-5  
Budget Rate History**

### **DISTRICT RATE HISTORY**

<u>Fiscal Year</u>	<u>Minimum Monthly Charges</u>	<u>Gallons Allowed</u>
2013	\$33.00	3,000
	\$ 4.00	1,000
2014	\$36.00	4,000
	\$ 4.50	1,000
2015	\$37.50	4,000
	\$ 4.50	1,000
2018	\$44.00	4,000
	\$ 4.70	1,000
2020	\$51.00	4,000
	\$ 5.45	1,000
2021	\$52.00	4,000
	\$ 5.56	1,000
2022	\$54.00	4,000
	\$ 5.78	1,000

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## **PWD CONTACT INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of PWD's finances and to demonstrate PWD's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Francine Ortega, Office Manager, Parkville Water District, 2015 N. Poplar, Leadville, CO 80461 or by telephone at 719/486-1449.

**PARKVILLE WATER DISTRICT**  
**Statement of Net Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,185,190	\$ 2,338,250
Cash - Restricted	583,978	525,814
Accounts receivable	192,902	156,258
Inventory	130,069	131,484
Prepaid expenses	—	11,018
Other	1,353	1,347
<b>Total current assets</b>	<b>3,093,492</b>	<b>3,164,171</b>
<b>Noncurrent assets:</b>		
Capital assets, net of accumulated depreciation	7,771,220	8,065,422
Construction in progress	323,104	—
<b>Total noncurrent assets</b>	<b>8,094,324</b>	<b>8,065,422</b>
<b>Total assets</b>	<b>\$ 11,187,816</b>	<b>\$ 11,229,593</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 45,756	\$ 22,809
Customer deposits	9,167	9,167
Interest payable	43,449	36,468
Long term debt - due in one year	97,302	112,993
<b>Total current liabilities</b>	<b>195,674</b>	<b>181,437</b>
<b>Noncurrent liabilities, net of current portion:</b>		
Long term debt - due in more than one year	2,288,781	2,481,368
<b>Total non current liabilities</b>	<b>2,288,781</b>	<b>2,481,368</b>
<b>Total liabilities</b>	<b>2,484,455</b>	<b>2,662,805</b>
<b>Net position:</b>		
Net investment in capital assets	5,708,241	5,471,061
Restricted for:		
Drinking water revolving fund loan reserve	412,680	353,763
Colorado resources loan reserve	102,298	106,051
Labor Emergency Reserve	69,000	66,000
Unrestricted	2,411,142	2,569,913
<b>Total net position</b>	<b>\$ 8,703,361</b>	<b>\$ 8,566,788</b>

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

**PARKVILLE WATER DISTRICT**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**For the years ended December 31, 2021 and 2020**

	2021	2020
<b>Operating Revenue</b>		
<b>Revenues:</b>		
Sales of water	\$ 1,904,806	\$ 1,837,044
Other water revenue	86,332	31,853
<b>Total operating revenues</b>	1,991,138	1,868,897
<b>Operating Expenses</b>		
Operations	966,926	580,683
General & administrative expenses	683,793	647,445
Depreciation	447,494	439,882
<b>Total operating expenses</b>	2,098,213	1,668,010
<b>Net operating income</b>	(107,075)	200,887
<b>Non-operating revenues (expenses):</b>		
Gain (loss) on disposal of capital assets	--	(182,808)
Plant investment fee	187,000	1,096,779
Interest on investments	5,786	8,677
Other non-operating revenue	50,862	15,993
Pass-through income	34,387	-
Pass-through expense	(34,387)	-
<b>Total non-operating revenues (expenses)</b>	243,648	938,641
<b>Net income before contributions</b>		
<b>Capital Contributions</b>		
Capital contributions - grant income	--	107,464
Total capital contributions	--	107,464
Change in net position	136,573	1,246,992
Total net position - beginning of year	8,566,788	7,319,796
<b>Total net position - end of year</b>	<b>\$ 8,703,361</b>	<b>\$ 8,566,788</b>

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

**PARKVILLE WATER DISTRICT**  
**Statement of Cash Flows**  
**For the years ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,954,494	\$ 1,859,924
Cash paid to suppliers	(1,114,544)	(773,528)
Cash payments to employees for services	(493,820)	(493,818)
<b>Net cash provided by operating activities</b>	<b>346,130</b>	<b>592,578</b>
<b>Cash flows from capital financing activities:</b>		
Plant investment fees	187,000	1,100,629
Loan proceeds for capital assets	-	1,606,445
Acquisition of capital assets	(476,395)	(1,619,082)
Principal paid on loans	(208,279)	(253,522)
Other non-operating revenue	50,862	14,993
Grant income	-	107,464
Sale of capital asset	-	1,000
Cash received from pass-through grantor	34,387	--
Cash payments to pass-through supplies of goods or services	(34,387)	--
<b>Net cash used by capital financing activities</b>	<b>(446,812)</b>	<b>957,927</b>
<b>Cash flows from investing activities:</b>		
Other investments	-	(263)
Interest on investments	5,786	8,677
<b>Net cash provided by investing activities</b>	<b>5,786</b>	<b>8,414</b>
<b>Net increase in cash</b>	<b>(94,896)</b>	<b>1,558,919</b>
Cash and restricted cash, beginning of year	2,864,064	1,305,145
<b>Cash and restricted cash, end of year</b>	<b>\$ 2,769,168</b>	<b>\$ 2,864,064</b>
<b>Reconciliation of operating (loss) to net cash provided by operations:</b>		
<b>Net operating income (loss)</b>	<b>\$ (107,075)</b>	<b>\$ 200,887</b>
<b>Adjustments to reconcile operating (loss) to cash provided by operating activities:</b>		
Depreciation	447,494	439,882
Decrease (increase) in:		
Accounts receivable	(36,644)	(8,973)
Inventory	1,415	(41,713)
Prepaid expenses	11,018	(2,569)
Other assets	(6)	--
(Decrease) increase in:		
Accounts payable	22,947	3,549
Interest payable	6,981	1,515
<b>Total adjustments</b>	<b>453,205</b>	<b>391,691</b>
<b>Net cash provided by operating activities</b>	<b>\$ 346,130</b>	<b>\$ 592,578</b>

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

**PARKVILLE WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**1. Summary of significant accounting policies**

Parkville Water District (the District) is organized under the provisions of Section 32-1-101 et seq., Colorado Revised Statutes (CRS). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASS) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

**Reporting entity**

The District is a Statutory, Single-Purpose, Special District governed by a five-member Board of Directors that are elected by the qualified voters in the District. The Board is accountable only to the voters and has no authority or influence over any other governmental entity. Likewise, the District is not financially dependent upon nor directly influenced by any other level of government. These financial statements reflect the operation of the District only.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Board (GASB), which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

**Measurement focus, basis of accounting and financial statement presentation**

The accompanying financial statements are presented in accordance with GASB Statement No. 34. The government-wide financial statements (i.e. the statement of net position and the statement of revenues, expenses, and changes in fund net position) report information on the business-type activities of the District, which rely to a significant extent on taxes, user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the business-type activities are supported by user fees.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The District's operations are classified as an Enterprise fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The business-type fund

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distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of water. Operating expenses for the fund include water expenses, all revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

**Assets, liabilities, deferred inflows of resources, and net position**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the District considers demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

**Fair value of financial instruments**

The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Inventory**

Inventory of pipe, fittings, and materials is valued at cost utilizing the first-in, first-out method. Inventory was determined based on a physical count at December 31, 2021 and 2020.

**Capital assets**

All purchased capital assets are recorded at cost, or estimated cost if actual cost is not available. Donated fixed assets are valued at their estimated fair market value at date of donation. Major capital outlays for capital assets and improvements are capitalized as projects are completed.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 7 to 40 years.

**PARKVILLE WATER DISTRICT**  
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**Long-term obligations**

Long-term obligations of the District consist of principal due on loans from the Colorado Water Conservation Board and Colorado Water Resources and Power Development Authority.

**Net Position**

Net Position of the District is classified into three components; 1) Net invested in capital assets, 2) Restricted net positions, which are non-capital assets that must be used for a particular purpose, and 3) Unrestricted net positions which are the remaining assets not otherwise classified.

The District applies restricted net positions first when both restricted and unrestricted resources are available.

**Budgetary information**

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

**Recently Issued Accounting Pronouncements**

GASB Statement No 87 - In June 2017, GASB issued statement No 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in statement 87 are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the effect on the District's 2022 financial statements.

**2. Detailed notes concerning the funds**

**Cash and cash equivalents**

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a

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defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. 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. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2021, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

**Restricted Cash**

Restricted Cash - Tabor Emergency Reserve at December 31, 2021 and 2020 of \$69,000 and \$66,000, respectively, represents funds required under Amendment No. 1, the "Tabor Amendment" passed by Colorado voters in November 1992, for "emergency reserves" and may be utilized only for declared emergencies which exclude economic conditions, revenue shortfalls, and district salary and fringe benefit increases.

Restricted Cash - Debt Service at December 31, 2021 and 2020 of \$102,298 and \$106,051, respectively, represents funds required for the CWCB loans for pledged revenues and Debt Service reserve.

Restricted Cash - Reserve Fund at December 31, 2021 and 2020 of \$412,680 and \$353,763, respectively, represents funds required for the loan agreement with Colorado Water Resources & Power Development Authority to maintain an operations and maintenance reserve in an amount equal to three months of operating expenses excluding depreciation.

**Investments**

The District is authorized by Colorado Statutes to invest in the following:

- Certificates of deposit with an original maturity in excess of three months
- Bonds and other interest-bearing obligations of the United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of local government entities in Colorado
- Banker's acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts, with certain exceptions
- Commercial paper

**Interest Rate Risk**

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no investment policy that limits its investment choices other than the limitation of state law.

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**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

**Receivables**

Accounts receivable primarily consist of user fees for water services earned as of December 31, 2021 and 2020. The District considers all receivables to be collectible at December 31, 2021 and 2020.

**Long-term debt**

As of December 31, 2021 and 2020, the long-term debt of the District consisted of the following:

	2021	2020
<u>Colorado Water Resources &amp; Power Development Authority</u>		
On May 22, 2020 the District entered into a loan contract with the CWR & PDA from the State of Colorado Drinking Water Revolving Fund with an original amount of \$2,000,000 for the Water Treatment Plant Upgrade Project. On November 16, 2020, the loan was reduced to \$1,606,445, with the term of the loan for twenty years and an interest rate of 1.5%. The loan is payable semi-annually beginning November 1, 2020. The payment due on November 1, 2020 was \$9,676.72. The payment due on May 1, 2021 is \$47,448. The payment due on November 1, 2021 is \$47,456 and remains this amount for the life of the loan. The loan is secured by pledged revenues. The accrued interest payable at December 31, 2021 and 2020 is \$11,998 and \$3,998, respectively.	\$ 1,528,334	\$ 1,599,268
<u>Colorado Water Conservation Board (CWCB)</u>		
On January 12, 2012 the District entered into a loan contract with the Colorado Water Conservation Board (CWCB) with an original amount of \$1,838,200 for the Canterbury Tunnel Repair Project. The loan amount was reduced to \$ 1,026,371 on June 6, 2013. The loan is payable annually beginning February 1, 2014 for thirty years in the amount of \$ 59,355 including principal and interest at the rate of 4.00%. Revenues of the District are pledged in an amount sufficient to pay the annual amount due under the loan contract. Accrued interest payable is \$31,451 and \$32,286 at December 31, 2021 and 2020 respectively.	857,749	881,830
<u>Colorado Water Conservation Board (CWCB)</u>		
On November 12, 2015 the District entered into a loan contract with the Colorado Water Conservation Board (CWCB) for a loan in the amount of \$181,800 for the Evans Reservoir Bypass Flume Replacement Project. The loan is payable annually beginning December 1, 2017 for ten years in the amount of \$20,186 including principal and interest at the rate of 1.95%. Revenues of the District are pledged in an amount sufficient to pay the annual amount due under the loan contract. The loan was paid in full during the year ended December 31, 2021.	-	113,263
<b>Total Long-term Debt</b>	<b>\$ 2,386,083</b>	<b>\$ 2,594,361</b>

**PARKVILLE WATER DISTRICT**  
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Annual debt service requirements to maturity are as follows:

<b>Year</b>	<b>Interest</b>	<b>Principal</b>	<b>Payment</b>
2022	\$ 56,965	\$ 97,302	\$ 154,267
2023	54,875	99,392	154,267
2024	52,729	101,538	154,267
2025	50,524	103,743	154,267
2026	48,260	106,007	154,267
2027-2031	203,852	566,258	770,110
2032-2036	138,193	633,143	771,336
2037-2041	62,218	566,750	628,968
2042-2043	6,761	111,950	118,710
<b>Total</b>	<b>\$ 674,377</b>	<b>\$ 2,386,083</b>	<b>\$ 3,060,460</b>

The following is an analysis of changes in long-term obligations for the year ended December 31, 2021.

	<b>Balance January 1, 2021</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance December 31, 2021</b>	<b>Due in One year</b>
CWR & PDA Loan #D20F436	\$ 1,599,268	--	(70,934)	\$ 1,528,334	\$ 72,257
CWCB C150308	881,830	--	(24,082)	857,749	25,045
CWCB CT2016-2004	113,263	--	(113,263)	--	--
<b>Total</b>	<b>\$ 2,594,361</b>	<b>--</b>	<b>\$ (208,279)</b>	<b>\$ 2,386,083</b>	<b>\$ 97,302</b>

**Net position**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

TABOR - the District has reserved a portion of fund balance for the TABOR emergency reserve - see footnote 3.

Reserve Fund - fund balance has been reserved in accordance with the loan agreement to reflect three months of operating and maintenance expenses net of depreciation and interest expense.

Debt Service - fund balance has been reserved in accordance with the loan agreement to reflect at least one tenth of an annual loan payment.

**PARKVILLE WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Changes in capital assets**

The changes in capital assets for the year ended December 31, 2021 are as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Capital assets being depreciated				
Supply	\$ 3,882,398	\$ --	\$ --	\$ 3,882,398
Pumping Plant	280,543	--	--	280,543
Water Treatment	3,243,836	--	--	3,243,836
Transmission & Distribution	5,168,099	153,291	--	5,321,390
General Plant	2,052,903	-	--	2,052,903
Total capital assets being depreciated	14,627,779	153,291	--	14,781,070
Accumulated depreciation	(6,562,357)	(447,494)	--	(7,009,850)
Net capital assets	8,065,422	(294,202)	--	7,771,220
Non-depreciated assets:				
Construction in progress	--	323,104	--	323,104
Total net book value	\$ 8,065,422	\$ 28,902	\$ --	\$ 8,094,324

**3. Other information**

**Risk management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado.

The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula. No distributions were made during the year ended December 31, 2021.

**TABOR Amendment**

In November of 1992, Colorado voters approved Amendment 1 to the state Constitution which, is commonly known as The Taxpayer's Bill of Rights or the TABOR Amendment.

The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units that are defined as "Enterprises." The Parkville Water District does not qualify as an "Enterprise."

**PARKVILLE WATER DISTRICT**  
**Notes to the Financial Statements**  
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The amendment defined the District's year ending December 31, 1992, as the initial base year for purposes of defining compliance with the amendment. The amendment defines inflation and local growth. Future year's revenue, based upon prior year's revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the prior year's revenue to the voters, unless the voters were to approve retention of the excess revenue. The District placed a question on the November 1996, ballot that would permit the District to keep and spend all revenues from all sources in 1996 and subsequent years without limiting in any year the amount of other revenues that may be collected. The voters approved this ballot question.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's spending. Conditions under which these reserves may be spent are severely limited.

The Parkville Water District, Leadville, Colorado, believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

**4. Rental Income**

On October 1, 2009, Commnet Four Corners, LLC exercised its option to lease a 50'x50' area located on The May Queen mining claim owned by the District. The lease agreement requires rent of \$750 per month. The lease automatically renewed on October 1, 2019. This lease is for a period of five years. The Lessee shall have a right to renew the lease term for four additional terms of five years each.

**5. Pension Plans**

**Defined Contribution Plan (Money Purchase Pension Plan)**

Parkville Water District adopted a defined contribution plan, "Parkville Water District Money Purchase Pension Plan," effective August 1, 1995 for all of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. The District contributes an amount equal to 8.05% of the employee's base salary each month. The District's contributions for each employee are vested immediately. The plan is administered through Lincoln Trust.

The District's total payroll for 2021 and 2020 was \$572,598 and \$540,736, respectively. The District's contributions were calculated using the eligible base salary amount of \$505,105 for 2021 and \$444,884 for 2020. The total cost to the District in 2021 and 2020 was \$40,661 and \$35,813, respectively excluding administration fees.

**Deferred Compensation Plan**

Parkville Water District adopted a deferred compensation plan effective August 1, 1995, created in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all Parkville Water District employees. Employees defer a portion of their salary until future years. Deferred compensation is available to employees upon termination, retirement, death, or financial hardship. The District is the trustee for a trust established pursuant to IRC 457(g) which is an irrevocable trust. The trust provides that to the extent required by IRC 457(g), the plan trustee has no power to use or divest any part of the plan's trust assets or income other than for the exclusive benefit of the participants and their beneficiaries under the plan.

**PARKVILLE WATER DISTRICT**  
**Notes to the Financial Statements**  
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**6. Leases**

The District entered into a lease agreement with Browns Hill Engineering and Controls, LLC for the software and hardware at the Water Treatment Plant. The term of the lease is sixty months with a monthly installment of \$1,510, and terminates in January 2023.

The District has the following future lease maturities as of December 31, 2021:

2022	\$ 18,120
2023	1,510

**7. Grants**

On March 10, 2020, the District was awarded a Drinking Water Revolving Fund Design and Engineering loan by the Colorado Water Resources and Power Development Authority for \$157,000. The loan is for the design and engineering associated with the project that consists of upgrade and improvements to the existing Big Evans water treatment facility and installation of a new emergency power generator. At loan closing the Authority forgave 100% of the principal amount of the loan. The District requisitioned \$107,464 on June 1, 2020. The balance of \$49,536 will not be used. The loan was forgiven and became a grant.

During 2021, the District was awarded a reimbursable grant from Colorado Department of Local Affairs for \$72,150. As of December 31, 2021, the District hasn't met the eligibility requirements and as such, this grant is not recorded as revenue.

**8. Subsequent Events**

Events occurring subsequent to the statement of net position date have been evaluated for financial statement impact or disclosure through the date the financial statements were available to be issued.

In June, 2022, the District received a \$750,000 grant for the construction and improvement of public utilities.

**PARKVILLE WATER DISTRICT**  
**Schedule of Revenues, Expenses and Changes in Net Position -**  
**Budget (Non - US GAAP Basis) and Actual**  
**For the year ended December 31, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<b>Sales of Water:</b>			
Bulk water	\$ 8,000	\$ 10,633	\$ 2,633
Unmetered	2,700	2,358	(342)
Metered residential	1,300,000	1,298,379	(1,621)
Metered commercial	420,300	430,405	10,105
Standby fees	69,000	62,411	(6,589)
Sales to public authorities	91,000	100,620	9,620
<b>Other Revenue:</b>			
Miscellaneous service revenue	80,000	86,332	6,332
Grant income/loan proceeds	733,000	--	(733,000)
Unappropriated funds	173,300	--	(173,300)
<b>Total revenue</b>	<b>2,877,300</b>	<b>1,991,138</b>	<b>(712,862)</b>
<b>Expenditures:</b>			
Source of supply	15,000	214	14,786
Power & pumping	114,000	93,107	20,893
Water treatment	146,400	160,622	(14,222)
Transmission & distribution	483,000	681,989	(198,989)
Equipment maintenance	58,000	30,994	27,006
Business office	275,000	248,915	26,085
Employee benefits	263,500	266,943	(3,443)
Outside services & other	158,000	167,935	(9,935)
Capital outlay	1,274,000	476,395	797,605
<b>Total expenditures</b>	<b>2,786,900</b>	<b>2,127,114</b>	<b>659,786</b>
<b>Non-Operating Revenues:</b>			
Plant investment fee	88,000	187,000	99,000
Interest income	8,000	5,786	(2,214)
Other non-operating revenue	15,000	50,862	35,862
Pass-through income	--	34,387	34,387
Pass-through expense	--	(34,387)	(34,387)
<b>Total non-operating revenues</b>	<b>111,000</b>	<b>243,648</b>	<b>132,648</b>
<b>Debt service:</b>			
Loan principal	201,400	208,279	6,879
<b>Total debt service</b>	<b>201,400</b>	<b>208,279</b>	<b>6,879</b>
<b>Net income - non - US GAAP budgetary basis</b>	<b>\$ -</b>	<b>\$ (100,607)</b>	<b>\$ (1,246,879)</b>
<b>Adjustments to US GAAP basis:</b>			
Waste water revolving loan principal		208,279	
Capital outlay - capitalized		476,395	
Depreciation expense		(447,494)	
<b>Total adjustments to US GAAP basis</b>		<b>237,180</b>	
<b>Net income - US GAAP basis</b>		<b>\$ 136,573</b>	