PENROSE WATER DISTRICT
BASIC FINANCIAL STATEMENTS

December 31, 2021

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Board of Directors
Penrose Water District
Penrose, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Penrose 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 the Penrose Water Districtand to meet our 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 the 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 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 judgement made by a reasonable user based on the financial statements.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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 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 (GASB) 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 and Other 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 individual fund financial statements as listed in the table of contents, are presented for purposes of additional analysis and are 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 individual fund financial statements have 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 individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Cutler & Associates, LLC

August 3, 2022

PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission.

The District reports all activity one financial category referred to as a Business Type activity.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements (including the accompanying footnotes)*, and *supplementary information*. The *supplementary information* is not a required part of the financial statements under generally accepted accounting principles.

The basic financial statements consist of the statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. These statements report information about the District as a whole and include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

These statements report the District's *Net Position* and changes in it. The District's Net Position is one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating.

HIGHLIGHTS

- In 2021 total assets were $14,396,143, an increase of $613,561 from 2020.
- In 2021 total liabilities were $7,482,409, a decrease of $207,266 from 2020.
- Operating revenues for 2021 were $1,449,408 compared to $1,409,895 in 2020.
- Net nonoperating income (loss) was $528,042 in 2021 compared to ($36,871) in 2020. Details of the difference are shown on the statement of revenue, expenses, and changes in net position.

PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

STATEMENT OF NET POSITION

The perspective of the statement of Net Position is of the District as a whole. Following is a summary of the District's Net Position for 2021 compared to 2020:

CONDENSED STATEMENT OF NET POSITION

	Business-Type Activity	Business-Type Activity	2021 – 2020 Change	
	12/31/2021	12/31/2020	$ change	% change
ASSETS				
Current and Other Assets	$ 2,750,514	$ 2,177,508	$ 573,006	26.3%
Capital Assets	11,645,629	11,605,074	40,555	0.26%
Total Assets	14,396,143	13,782,582	613,561	0.04%
LIABILITIES				
Current Liabilities	66,317	136,188	(69,871)	-51.30%
Noncurrent Liabilities	7,416,092	7,553,487	(137,395)	-1.82%
Total Liabilities	7,7,482,409	7,689,675	(207,266)	-2.70%
DEFERRED INFLOWS	220,100	186,015	34.085	18.32%
NET POSITION				
Net Investment in Capital Assets	4,201,635	4,033,044	168,591	4.18%
Restricted	622,773	614,151	8,862	1.40%
Unrestricted	1,869,226	1,259,697	609,529	48.39%
Total Net Position	**$ 6,693,634**	**$ 5,906,892**	**$ 786,742**	**13,32%**

PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

STATEMENT OF ACTIVITIES

The following table reflects the change in Net Position for fiscal year 2021 and 2020.

CONDENSED STATEMENT OF ACTIVITIES

	Business-Type Activity 12/31/2021	Business-Type Activity 12/31/2020	2021 – 2020 Change $ change	% change
OPERATING REVENUES				
Charges for Services	$ 1,449,408	$ 1,409,895	$ 39,513	2.80%
Tap Fees	240,050	161,269	79,781	5.66%
Total Operating Revenues	1,690,458	1,571,164	119,294	7.59%
OTHER INCOME				
Tax Revenue	185,879	173,119	12,760	0.42%
Specific Ownership Taxes	29,825	26,856	2,969	-8.26%
Interest Income	1,215	11,981	(10,766)	-39.84%
Sale of Assets	166,196	-	166,196	
Miscellaneous	238,678	1,503	237,175	-73.63%
Total Other Income	774,135	213,459	557,976	-13.61%
Total Revenues	2,223,543	1,784,623	438,920	5.68%
PROGRAM EXPENSES				
General and Administrative	581,452	644,465	(63,013)	-9,78%
Water Operations	850,306	749,793	100,513	30.60%
Interest Expense	246,093	250,330	(4,237)	-2.93%
Total Program Expenses	1,677,851	1,644,588	33,263	2.02%
CHANGE IN NET POSITION	786,742	140,035	646,707	461,82%
Net Position, Beginning	5,906,892	5,799,015	(102,171)	-1.73%
Prior Period Restatement	-	(32,158)	(32,158)	-100.00%
Net Position, Beginning (as Restated)	5,906,892	5,766 857	140,035	2.43%
NET POSITION, ENDING	**6,693,634**	**$ 5,906 892**	**$ 786,742**	**1.86%**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2021 the District had capital assets of $11,645,629 which was an increase of $40,555. The capital assets consist of Land, Water Rights, Water Storage Rights, Construction in Progress, Buildings and Improvements, Water Treatment Plant, Distribution System and Machinery and Equipment. The amount of the assets are not of accumulated Depreciation of $5,699,252. See Note 4 for more information.

DEBT OUTSTANDING

At December 31, 2021, the District has Long-Term debt of $7,416,092. Which was a decrease of $137,395. The debt consists of Loans Payable and Compensated Absences. See Note 5 for more information.

ECONOMIC AND OTHER FACTORS

At its inception in 1968, and until 2015, the District's source of raw-water supply was solely dependent on a raw water lease from a local irrigation company whose supply is from a single source. From 2005 to present, the most evident economic factor and budgetary influence has been the District's endeavor to acquire a more secure and diverse raw water supply. Projects included the acquisition of a water right on the Arkansas River, changing the right to needed uses, and the construction and operation of a pumping and piping system to convey the water in a manner for needed use. Those projects were completed in 2015, providing the District with an additional annual average 300 acre feet of water.

In 2010 the District took a 30-year, 3.25%, loan for $8,844,570 from the Colorado Water Conservation Board (CWCB) to pay for the projects. An additional $500,000.00 was provided through a grant from the Department of Local Affairs. Debt service for the loan is $444,000.00/year, a significant expenditure for the District. To generate revenues necessary to meet debt service and costs associated with operating and maintaining (O&M) the system, the Board projects O&M and debt service and makes rate adjustments accordingly.

In 2021 the District Board determined the need to construct a new water treatment plant to replace the current water plant constructed in 1991. The project is expected to be completed in 2024. Anticipating the added debt requirement to pay for the project, the Board determined to phase-in increases on the base charge over that 3-year period. Early in 2022, the Board hired an engineering firm to provide a preliminary engineering report and analysis for the construction of the new plant.

The base monthly minimum fee, which is charged to all accounts regardless of usage, is set in accordance with the District's debt service and other capital needs and is dedicated to those payments and activities. Water use rates are primarily set in accordance with operational costs. The Board reviews the revenue-to-cost ratio on an annual basis to ensure rates are structured in such a manner as to maintain a balanced budget. As noted above, in anticipation of new debt for construction of a new water treatment plant, the Board increased the base to $41.50/month, an increase of $3.00/eru, and in order to offset O&M costs, the usage charges of $5.20/thousand gallons was increased to $5.40 for calendar year 2022.

Effective 1/1/2022, the tap fees were increased to $15,000.00/eru, an increase of $3,000.00/eru. Contracts to provide water for individual lots within a new subdivision are therefore also increased to $3,000.00. In 2021 the District sold 20 taps and contracts. 13 taps were installed for new construction. The District had 1,766 taps on system at December 31, 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

District Manager
PENROSE WATER DISTRICT
210 Broadway
Penrose, Colorado 81240-0279
Tel: (719) 372-3289
Fax: (719) 372-9347

BASIC FINANCIAL STATEMENTS

PENROSE WATER DISTRICT

STATEMENT OF NET POSITION
WATER FUND
December 31, 2021

	2021	2020
ASSETS		
Current Assets		
Cash and Investments	$ 1,644,507	$ 1,137,166
Restricted Cash and Investments	606,773	607,651
Accounts Receivable	136,645	142,186
Property Taxes Receivable	220,100	186,015
Inventory	142,489	104,490
Total Current Assets	2,750,514	2,177,508
Noncurrent Assets		
Capital Assets, Not Depreciated	4,482,626	4,543,540
Capital Assets, Depreciated, Net of Accumulated Depreciation	7,163,003	7,061,534
Total Noncurrent Assets	11,645,629	11,605,074
TOTAL ASSETS	$ 14,396,143	$ 13,782,582
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities		
Accounts Payable	$ 3,734	$ 73,605
Accrued Interest Payable	62,583	62,583
Total Current Liabilities	66,317	136,188
Noncurrent Liabilities		
Due Within One Year	210,363	199,296
Due In More Than One Year	7,171,048	7,310,151
Accrued Compensated Absences	34,681	44,040
Total Noncurrent Liabilities	7,416,092	7,553,487
TOTAL LIABILITIES	7,482,409	7,689,675
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	220,100	186,015
NET POSITION		
Net Investment in Capital Assets	4,201,635	4,033,044
Restricted for Emergencies	16,000	6,500
Restricted	606,773	607,651
Unrestricted	1,869,226	1,259,697
TOTAL NET POSITION	6,693,634	5,906,892
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 14,396,143	$ 13,782,582

The accompanying notes are an integral part of the financial statements.

PENROSE WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
WATER FUND
Year Ended December 31, 2021

	2021	2020
OPERATING REVENUE		
Utility Charges	$ 1,393,968	$ 1,399,545
Other Charges for Services	55,440	10,350
TOTAL OPERATING REVENUE	1,449,408	1,409,895
OPERATING EXPENSES		
General and Administrative	581,452	644,465
Operating	494,818	421,325
Depreciation	355,488	328,468
TOTAL OPERATING EXPENSES	1,431,758	1,394,258
OPERATING INCOME	17,650	15,637
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	185,879	173,119
Specific Ownership Taxes	29,825	26,856
Grants	152,342	-
Interest Income	1,215	11,981
Sale of Assets	166,196	-
Miscellaneous	238,678	1,503
Interest Expense	(246,093)	(250,330)
TOTAL NON-OPERATING REVENUES (EXPENSES)	528,042	(36,871)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	545,692	(21,234)
CAPITAL CONTRIBUTIONS		
Tap Fees	241,050	161,269
CHANGE IN NET POSITION	786,742	140,035
NET POSITION, Beginning, as Previously Reported	-	5,809,662
Prior Period Adjustment	-	(42,805)
NET POSITION, Beginning	5,906,892	5,766,857
NET POSITION, Ending	$ 6,693,634	$ 5,906,892

The accompanying notes are an integral part of the financial statements.

PENROSE WATER DISTRICT

STATEMENT OF CASH FLOWS
WATER FUND
Year Ended December 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 1,287,949	$ 1,419,033
Cash Paid for Goods and Services	(656,588)	(430,283)
Cash Paid to Employees	(536,911)	(563,163)
Net Cash Used by Operating Activities	94,450	425,587
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	185,879	172,921
Specific Ownership Taxes	29,825	26,856
Grants	152,342	-
Other Revenue Received	238,678	1,503
Net Cash Provided by Noncapital Financing Activities	606,724	201,280
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(396,043)	(260,116)
Sale if Capital Assets	166,196	-
Loan Proceeds	238,260	-
Capital Contributions	241,050	161,269
Debt Principal Payments	(199,296)	(193,022)
Interest Payments	(246,093)	(250,330)
Net Cash Provided (Used) by Noncapital Financing Activities	(195,926)	(542,199)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	1,215	11,981
Net Cash Provided (Used) by Investing Activities	1,215	11,981
Net Increase (Decrease) in Cash and Cash Equivalents	506,463	96,649
CASH AND CASH EQUIVALENTS, Beginning	1,744,817	1,648,168
CASH AND CASH EQUIVALENTS, Ending	$ 2,251,280	$ 1,744,817
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ 17,650	$ 15,637
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	355,488	328,468
Loss on Disposal of Capital Assets	-	12,953
Forgiveness of Debt	(167,000)	-
Changes in Assets and Liabilities		
Accounts Receivable	5,541	9,138
Inventory	(37,999)	(4,954)
Accounts Payable	(69,871)	63,110
Accrued Compensated Absences	(9,359)	1,235
Total Adjustments	76,800	409,950
Net Cash Provided by Operating Activities	$ 94,450	$ 425,587

The accompanying notes are an integral part of the financial statements.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Penrose Water District (The "District") operates under the regulations pursuant to the Colorado Revised Statutes that designate a Board of Directors to act as the governing authority. The District provides potable water to the people within the boundaries of the District, which is located in Fremont County near Cañon City, Colorado.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as they are needed.

The District reports all activity in one major proprietary fund:

> *Water Fund* - This fund accounts for the financial activities associated with the provision of water services.

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

Receivables – Receivables consist of amounts owed to the District by its utility customers. It is the District's policy to file liens on any past due user fees; therefore, amounts are considered to be collectible and no allowance for bad debt has been recorded.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Inventory – Inventories of materials and supplies are recorded on the balance sheet at the lower of cost or market using the first-in, first-out method of accounting.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable business-type activities columns in the statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight - line method over the following estimated useful lives:

Plan and Water Lines	30 - 40 years
Buildings and Improvements	10 - 30 years
Machinery and Equipment	5 – 10 years

Accrued Compensated Absences – Vacation time accumulates from the date of hire and is available to the employee after the annual anniversary of the date of hire. Vacation is not carried over from year to year, however an employee is offered compensation for up to 40 hours of unused vacation hours at year end. The District Manager is allowed to carry unused vacation at year end up to a maximum of 320 hours. Sick leave accumulates at the rate of eight hours per month. Upon termination, unused accumulated sick leave will be compensated at a rate of 0 – 50 percent based on the employee's years of service.

These compensated absences are recognized as current salary costs when earned in the proprietary fund type. A liability has been recorded for the business-type activities in the government-wide financial statements for the accrued compensated absences.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the business-type activities or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Net Position – The business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position are liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third-party limitations on their use.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow 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.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes – Property taxes are levied in the current year and collected in the subsequent year have been accrued as a receivable at year-end and deferred until collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

The County in which the District is located collects taxes for the district and remits them by the 10^{th} every month following the month of collection.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, the District staff submits to the District Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to December 31, the budget is legally enacted through passage of a resolution.

- Any revisions that alter the total expenditures of any fund must be approved by the District Board of Directors.

- Budgets are legally adopted for the enterprise fund of the District. The Budgetary comparison presented for the District is presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures. Depreciation expense is not budgeted.

- Budgeted amounts in the financial statements are as originally adopted or as amended by the District Board of Directors. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

Internally, the District monitors its operations via two main budget categories, the operating and administrative activities, and the "Enterprise" generally representing water capital outlay and debt service. While these categories are sufficient for internal monitoring, these divisions are not compatible with fund level budget and actual statements Accordingly, the external budget and actual presentations included represent a generally accepted accounting principle fund level presentation on the budget basis rather than one based on the internal monitoring mechanism.

The District has reported a budget to actual comparison for each of these budget categories, the "District Activity" and the "Enterprise Activity". The combined budget to actual statement reports the combined budget to actual as one fund.

NOTE 3: ***DEPOSITS AND INVESTMENTS***

A summary of deposits and investments as of December 31, 2021 follows:

Petty Cash	$ 901
Cash Deposits	350,992
Investments	1,899,387
Total	**$ 2,251,280**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

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 at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2021, the District had deposits with financial institutions with a carrying amount of $350,992. The bank balances with the financial institutions were $357,198. Of this amount $302,657 was covered by federal depository insurance and $54,541 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

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. The District does follow the policies required by the State of Colorado regarding types of investments and maturity dates.

NOTE 3: ***DEPOSITS AND INVESTMENTS*** (Continued)

Investments (Continued)

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Local Government Investment Pools

The District had invested $1,899,388 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00.

Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned 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 the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 3: ***DEPOSITS AND INVESTMENTS*** (Continued)

Investments (Continued)

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 observable inputs.

Restricted Cash and Investments

Cash and Investments are restricted for the following purposes:

Future Capital Improvement Projects	$ 52,657
CWCB Debt Reserve	443,818
CWCB Debt Service Payments	110,298
Total Restricted Cash and Investments	$ 606,773

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended December 31, 2021, is summarized below.

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Business-Type Activities				
Capital Assets, not depreciated				
Land	$ 242,794	$ -	$ -	$ 242,794
Water Rights	1,690,688	-	-	1,690,687
Water Storage Rights	2,549,144	-	-	2,549,144
Construction in Progress	60,914	-	60,914	-
Total Capital Assets, not depreciated	4,543,540	-	60,914	4,482,626
Capital Assets, depreciated				
Building and Improvements	589,845	-	39,445	550,400
Water Treatment Plants	2,193,717	424,280	-	2,617,997
Distribution System	9,346,888	-	-	9,346,888
Machinery and Equipment	314,303	32,677	-	346,980
Total Capital Assets, depreciated	12,444,753	456,957	39,445	12,862,465

NOTE 4: ***CAPITAL ASSETS*** (Continued)

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Business-Type Activities				
Less: Accumulated Depreciation				
Building and Improvements	76,606	12,920	39,445	50,081
Water Treatment Plants	2,084,962	75,571	-	2,160,533
Distribution System	2,947,858	235,465	-	3,183,323
Machinery and Equipment	273,793	31,532	-	305,325
Total Accumulated Depreciation	5,383,219	355,488	39,445	5,699,252
Total Capital Assets, depreciated, Net	7,061,534	101,469	-	7,163,003
Business-Type Activities, Capital Assets, Net	**$ 11,605,074**	**$ 101,469**	**$ (60,914)**	**$ 11,645,629**

NOTE 5: ***LONG-TERM DEBT***

Business-Type Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2021.

	Balance 12/31/2020	Additions	Payments	Balance 12/31/2021	Due In One Year
Direct Borrowings:					
Loans Payable	$ 7,509,447	$ 216,680	$ 344,716	$ 7,381,411	$ 210,363
Other General Obligations:					
Compensated Absences	44,040	-	9,359	34,681	-
Total	**$ 7,553,487**	**$ 216,680**	**$ 354,075**	**$ 7,416,092**	**$ 210,363**

Debt from Direct Borrowings

CWCB Loan

On December 13, 2010, the District entered in a promissory note agreement with the Colorado Water Conservation Board (the "CWCB") in the principal amount of $8,844,570, subsequently amended to a maximum loan of $9,763,670, with a final loan amount of $8,415,684. Proceeds of the loan were used to pay for water rights, construction of a raw water pipeline and to enlarge Brush Hollow Reservoir. The net effective annual interest rate of this issue of bonds is 3.25%.

NOTE 5: ***LONG-TERM DEBT*** (Continued)

CWCB Loan (Continued)

Principal and interest of $443,353 are due annually commencing October 1, 2016 for a period of thirty years. This loan is secured by "base water use revenues" and a 5.792 mill special mill levy.

The note may be prepaid in whole or in part at any time without premium or penalty. Any partial payments will not postpone the due date of any subsequent payments. In the event of default under the loan agreement, the CWCB may declare the entire outstanding principal balance of the note, all accrued interest, and any outstanding late charges immediately due and payable and any outstanding indebtedness shall bear interest at the rate of interest of 7% per annum from the date of default.

In October 2020, the District was approved for a direct loan through the Colorado Water Resources and Power Development Authority (the "CWRPDA") in the amount of $239,800, for 30 years at an interest rate of 0.5%. Proceeds will be used for improvements to the water treatment and storage facilities and are available to the District once project costs have been incurred and upon receipt of a request for reimbursement by the District. During the year ended December 31, 2021, $167,000 of the loan was forgiven leaving a balance of $71,260.

Annual debt service requirements for the direct borrowings and direct placements at December 31, 2020 are as follows:

Year Ended December 31,	Principal	Interest	Total
2022	$ 210,363	$ 238,276	$ 448,639
2023	217,096	231,542	448,639
2024	224,047	224,591	448,639
2025	231,225	217,414	448,639
2026	238,633	210,006	448,639
2027-2031	1,312,960	930,233	2,243,193
2032-2036	1,534,991	705,560	2,240,550
2037-2041	1,773,916	442,847	2,216,763
2042-2045	1,638,180	1,638,180	1,773,411
Total Debt Service Requirements	**$ 7,381,411**	**$ 3,335,700**	**$ 10,717,111**

Other Obligations

Compensated Absences

Compensated Absences are being paid from resources generated by the Enterprise Fund.

NOTE 6: ***BENEFITS PLAN***

The Penrose Water District has adopted a 401(k) pension plan known as the Penrose Water District Profit Sharing Plan administered by Mutual of Omaha for all full-time employees who, after 90 days of service, are eligible to participate. The District matches employee contributions up to 4% of employee compensation. The District has no liability for further pension benefits. Seven full-time employees are all participating in the plan. The District contributed $12,780, $11,653 and $12,094 to the plan for the years ended December 31, 2019, 2020 and 2021, respectively, equal to the required contribution.

NOTE 7: ***COMMITMENTS AND CONTINGENCIES***

Source of Supply

One of the District's sources of water supply is provided by use of water from Beaver Park Water, Inc. (Beaver Park), a Colorado non-profit mutual ditch and reservoir company, under a water agreement dated March 6, 1990, amended in 1997 and renewed in 2019. The agreement runs through December 31, 2025 and provides for review and negotiations between the parties concerning the rates charged by Beaver Park every 5 years until 2090. Delivery is realized via the Brush Hollow Reservoir supply canal that is owned by Beaver Park. The reservoir, also owned by Beaver Park, has a dual purpose: Primarily to supply irrigation water for local area agriculture, and secondarily to serve as an alternate raw water supply for the District. The District gets most of its raw water from stream flow. The District owns 500-acre feet of storage space in the reservoir.

Related Party Transactions

Many of the residents of the District are also shareholders in Beaver Park. From time to time members of the Board of Directors of the District or their relatives may own shares in Beaver Park and may serve as officers or directors of Beaver Park. The District does not have a policy forbidding board members of the District from serving as board members of Beaver Park. Management of the District believes that the shares owned by members of its Board of Directors are an insignificant number of the total shares outstanding of Beaver Park. As of December 31, 2020 two directors of the District had close relatives serving on the 5-member board of Beaver Park. During 2021 and 2020 the District paid approximately $165,251 and $158,133 respectively to Beaver Park.

NOTE 7: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. On November 7, 2017, voters approved a ballot referendum to exempt the District from limitations imposed by TABOR.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. As of December 31, 2021, an emergency reserve of $16,000 was recorded in the Water Fund.

NOTE 8: ***SUBSEQUENT EVENT***

Potential subsequent events were considered through August 3, 2022. It was determined that the no events were required to be disclosed through this date.

INDIVIDUAL FUND FINANCIAL STATEMENTS

PENROSE WATER DISTRICT

WATER FUND
COMBINED BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2020

	2021				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2020 ACTUAL
REVENUES					
Utility Charges	$ 1,383,698	$ 1,394,501	$ 1,393,968	$ (533)	$ 1,399,545
Other Charges for Services	14,500	55,421	55,440	19	10,350
Tap Fees	36,000	206,850	241,050	34,200	161,269
Intergovernmental	143,300	143,300	152,342	9,042	-
Property Taxes	186,015	186,030	185,879	(151)	173,119
Specific Ownership Taxes	20,000	27,158	29,825	2,667	26,856
Sale of Assets	-	166,196	166,196	-	
Interest Income	12,800	1,099	1,215	116	11,981
Miscellaneous	50,000	-	238,678	238,678	1,503
Loan Proceeds	-	-	216,680	216,680	52,020
TOTAL REVENUES	1,846,313	2,180,555	2,681,273	500,718	1,836,643
EXPENDITURES					
Personnel Services	589,783	536,323	527,552	8,771	563,163
Office Operating	44,548	55,607	53,900	1,707	42,456
Water Treatment and Plant Operations	161,184	150,646	134,320	16,326	146,902
Distribution System	46,400	101,046	96,482	4,564	14,858
General Operating Expenses	191,561	231,543	229,175	2,368	219,174
Storage	72,500	24,705	24,706	(1)	23,160
Water Legal and Consulting	19,311	7,561	7,618	(57)	10,392
Water Engineering	128,400	118,113	2,517	115,596	6,839
Debt Service					
Principal	193,022	193,022	199,296	(6,274)	193,022
Interest and Fiscal Charges	250,331	252,367	246,093	6,274	250,330
Capital Outlay	390,790	332,556	396,043	(63,487)	286,008
Transfers Out	-	-	-	-	52,020
TOTAL EXPENDITURES	2,087,830	2,003,489	1,917,702	85,787	1,808,324
NET INCOME, Budget Basis	$ (241,517)	$ 177,066	763,571	$ 586,505	28,319
GAAP BASIS ADJUSTMENTS					
Principal Payments on Long-Term Debt			199,296		193,022
Capital Outlay			396,043		247,162
Loan Proceeds			(216,680)		-
Depreciation			(355,488)		(328,468)
NET INCOME GAAP Basis			786,742		140,035
NET POSITION, Beginning as Previously Reported			5,906,892		5,809,662
Prior Period Adjustment			-		(42,805)
NET POSITION, Beginning			5,906,892		5,766,857
NET POSITION, Ending			$ 6,693,634		$ 5,906,892

See the accompanying independent auditors' report.

PENROSE WATER DISTRICT

DISTRICT ACTIVITY
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2021

	2021				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2020 ACTUAL
REVENUES					
Utility Charges	$ 818,116	$ 812,317	$ 811,524	$ (793)	$ 873,492
Other Charges for Services	14,500	55,421	55,440	19	10,350
Tap Fees	36,000	206,850	241,050	34,200	161,269
Property Taxes	186,015	186,030	185,879	(151)	173,119
Specific Ownership Taxes	20,000	27,158	29,825	2,667	26,856
Sale of Assets	-	166,196	166,196	-	-
Interest Income	12,800	1,099	1,215	116	11,981
Miscellaneous	50,000	-	206,540	206,540	1,503
TOTAL REVENUES	1,137,431	1,455,071	1,697,669	242,598	1,258,570
EXPENDITURES					
Personnel Services	589,783	536,323	527,552	8,771	563,163
Office Operating	44,548	55,607	53,900	1,707	42,456
Water Treatment and Plant Operations	161,184	150,646	134,320	16,326	146,902
Distribution System	46,400	101,046	96,482	4,564	14,858
General Operating Expenses	191,561	231,543	229,175	2,368	219,174
Capital Outlay	72,750	35,364	44,399	(9,035)	248,620
Transfers Out	-	-	-	-	52,020
TOTAL EXPENDITURES	1,106,226	1,110,529	1,085,828	24,701	1,287,193
NET INCOME, Budget Basis	$ 31,205	$ 344,542	611,841	$ 267,299	(28,623)

See the accompanying independent auditors' report.

PENROSE WATER DISTRICT

ENTERPRISE ACTIVITY
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2021

	2021				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2020 ACTUAL
REVENUES					
Utility Charges	$ 565,582	$ 582,184	$ 582,444	$ 260	$ 526,053
Grants	143,300	143,300	152,342	9,042	-
Loan Proceeds	284,100	280,980	239,800	(41,180)	-
Other Income	-	-	32,138	32,138	52,050
TOTAL REVENUES	992,982	1,006,464	1,006,724	260	578,103
EXPENDITURES					
Storage	72,500	24,705	24,706	(1)	23,160
Water Legal and Consulting	19,311	7,561	7,618	(57)	10,392
Water Engineering	128,400	118,113	2,517	115,596	6,839
Debt Service					
Principal	193,022	193,022	199,296	(6,274)	193,022
Interest and Fiscal Charges	250,331	252,367	246,093	6,274	250,330
Capital Outlay	318,040	297,192	351,644	(54,452)	37,388
TOTAL EXPENDITURES	981,604	892,960	831,874	61,086	521,131
NET INCOME, Budget Basis	$ 11,378	$ 113,504	$ 174,850	$ 61,346	$ 56,972

See the accompanying independent auditors' report.