PENROSE WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2022

Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Penrose Water District
Fremont County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Penrose Water District, which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Penrose Water District as of December 31, 2022, and the respective changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 District, and 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.

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 on pages i – iv be presented to supplement the basic financial statements. Such information, 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 performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Penrose Water District's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
July 6, 2023

PENROSE WATER DISTRICT

210 Broadway Penrose, CO 81240
Phone (719) 372-3289 Fax (719) 372-9347

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 in 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 2022 total assets were $14,827,290, an increase of $431,147 from 2021.
- In 2022 total liabilities were $7,306,150, a decrease of $176,259 from 2021.
- Operating revenues for 2022 were $1,502,665 compared to $1,494,408 in 2021.
- Net nonoperating income (loss) was $80,160 in 2022 compared to $528,042 in 2021. Details of the difference are shown on the statement of revenue, expenses, and changes in net position.

PENROSE WATER DISTRICT

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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 2022 compared to 2021:

CONDENSED STATEMENT OF NET POSITION

	Business-Type Activity 12/31/2022	Business-Type Activity 12/31/2021	2022-2021 Change	
			$ change	% change
ASSETS				
Current and Other Assets	$ 3,387,015	$ 2,750,514	$ 636,501	23.14%
Capital Assets	$ 11,440,275	$ 11,645,629	$ (205,354)	-1.76%
Total Assets	$ 14,827,290	$ 14,396,143	$ 431,147	2.99%
LIABILITIES				
Current Liabilities	$ 75,024	$ 66,317	$ 8,707	13.13%
Noncurrent Liabilities	$ 7,231,126	$ 7,416,092	$ (184,966)	-2.49%
Total Liabilities	$ 7,306,150	$ 77,482,409	$ (176,259)	-0.23%
DEFERRED INFLOWS	$ 220,859	$ 220,210	$ 649	0.29%
NET POSITION				
Net Investment in Capital Assest	$ 4,209,146	$ 4,201,635	$ 7,511	0.18%
Restricted	$ 964,167	$ 622,773	$ 341,394	54.82%
Unrestricted	$ 2,126,968	$ 1,869,226	$ 257,742	13.79%
Total Net Position	**$ 7,300,281**	**$ 6,693,634**	**$ 606,647**	**9.06%**

PENROSE WATER DISTRICT

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STATEMENT OF ACTIVITIES

The following table reflects the change in Net Position for fiscal year 2022 and 2021.

CONDENSED STATEMENT OF ACTIVITIES

	Business-Type Activity 12/31/2022	Business-Type Activity 12/31/2021	2022-2021 Change	
			$ change	% change
OPERATING REVENUES				
Charges for Services	$ 1,502,665	$ 1,449,408	$ 53,257	3.67%
Tap Fees	$ 405,200	$ 241,050	$ 164,150	68.10%
Total Operating Revenues	$ 1,907,865	$ 1,690,458	$ 217,407	12.86%
NON-OPERATING REVENUES				
Property Taxes	$ 221,211	$ 185,879	$ 35,332	19.01%
Specific Ownership Taxes	$ 28,577	$ 29,825	$ (1,248)	-4.18%
Investment Income	$ 41,461	$ 1,215	$ 40,246	3312.43%
Grants	$ -	$ 152,342	$ (152,342)	-100.00%
Gain (Loss) on Assets Disposal	$ (1,820)	$ 166,196	$ (168,016)	-101.10%
Miscellaneous	$ -	$ 238,678	$ (238,678)	-100.00%
Contributed Lines & Mains - Developer	$ 121,287	$ -	$ 121,287	100.00%
Total Non-Operating Revenue	$ 410,716	$ 774,135	$ (285,407)	-36.87%
Total Revenues	$ 2,318,581	$ 2,464,593	$ (146,012)	-5.92%
PROGRAM EXPENSES				
General and Administrative	$ 608,558	$ 581,452	$ 27,106	4.66%
Operations	$ 545,424	$ 494,818	$ 50,606	10.23%
Interest Expenses	$ 233,131	$ 246,093	$ (12,962)	-5.27%
Depreciation	$ 324,821	$ 355,488	$ (30,667)	100.00%
Total Program Expenses	$ 1,711,934	$ 1,677,851	$ 34,083	2.03%
CHANGE IN NET POSITION	$ 606,647	$ 786,742	$ (180,095)	-22.89%
Net Position, Beginning	$ 6,693,634	$ 5,906,892	$ 786,742	13.32%
NET POSITION, ENDING	**$ 7,300,281**	**$ 6,693,634**	**$ 606,647**	**9.06%**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022 the District had capital assets of $14,827,290 which was an increase of $431,147. The capital assets consist of Land, Water Rights, Water Storage Rights, Buildings and Improvements, Water Treatment Plant, Distribution System and Machinery and Equipment. The amount of the assets are net of accumulated Depreciation of $324,821. See Note 4 for more information.

DEBT OUTSTANDING

At December 31, 2022, the District has Long-Term debt of $7,231,126. Which was a decrease of $184,966. 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 286 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 2025. 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, in 2023 the Board increased the base charge an additional $3.00 to $45.50/month. In order to offset projected 2023 O&M costs, the usage charge of $5.40/thousand gallons was increased to $5.60 for calendar year 2023.

Effective 1/1/2023, tap fees were increased to $16,000.00/eru, an increase of $1,000.00/eru. Contracts to provide water for individual lots within a new subdivision have therefore also increased to $3,200.00.

In 2022 the District sold 5 taps and contracts. 24 taps were installed for new construction. The District had 1,787 taps on system at December 31, 2022.

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
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BASIC FINANCIAL STATEMENTS

PENROSE WATER DISTRICT

STATEMENTS OF NET POSITION
December 31, 2022

	WATER FUND
ASSETS	
Current Assets	
Cash and Investments	$ 2,150,297
Restricted Cash and Investments	616,144
Accounts Receivable	
Customers	159,306
Availability Contracts	81,800
Property Taxes Receivable	220,859
Inventory	158,609
Total Current Assets	3,387,015
Capital Assets	
Capital Assets, Not Being Depreciated	4,482,625
Capital Assets, Net of Accumulated Depreciation	6,957,650
Total Capital Assets	11,440,275
TOTAL ASSETS	14,827,290
LIABILITIES	
Current Liabilities	
Accounts Payable	17,244
Accrued Interest Payable	57,780
Total Current Liabilities	75,024
Noncurrent Liabilities	
Due within One Year	214,761
Due in More Than One Year	6,958,588
Accrued Compensated Absences	57,777
Total Noncurrent Liabilities	7,231,126
TOTAL LIABILITIES	7,306,150
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	220,859
NET POSITION	
Net Investment in Capital Assets	4,209,146
Restricted for Emergencies	47,000
Restricted for Capital Improvements	52,669
Restricted for Operations and Maintenance Reserve	301,023
Restricted for Debt Service	563,475
Unrestricted	2,126,968
TOTAL NET POSITION	$ 7,300,281

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

PENROSE WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2022

	WATER FUND
OPERATING REVENUES	
Utility Charges	$ 1,480,132
Other Charges for Services	22,533
TOTAL OPERATING REVENUES	1,502,665
OPERATING EXPENSES	
Operations	545,424
General and Administration	608,558
Depreciation	324,821
TOTAL OPERATING EXPENSES	1,478,803
OPERATING INCOME (LOSS)	23,862
NON-OPERATING REVENUES (EXPENSES)	
Property Taxes	221,211
Specific Ownership Taxes	28,577
Investment Income	41,461
Gain (Loss) on Assets Disposal	(1,820)
Interest Expense	(233,131)
TOTAL NON-OPERATING REVENUES (EXPENSES)	56,298
INCOME BEFORE CAPITAL CONTRIBUTIONS	80,160
CAPITAL CONTRIBUTIONS	
Tap Fees	405,200
Contributed Lines and Mains - Developer	121,287
TOTAL CAPITAL CONTRIBUTIONS	526,487
CHANGE IN NET POSITION	606,647
NET POSITION, Beginning	6,693,634
NET POSITION, Ending	$ 7,300,281

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

PENROSE WATER DISTRICT

STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2022

	WATER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 1,457,471
Miscellaneous Receipts	22,533
Cash Payments to Employees	(538,765)
Cash Payments to Suppliers	(594,731)
Net Cash Provided (Used) by Operating Activities	346,508
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Taxes	249,788
Net Cash Provided (Used) by NonCapital Financing Activities	249,788
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
System Development Fees Received	323,400
Debt Principal Payments	(208,062)
Debt Interest Payments	(237,934)
Net Cash Provided (Used) by Capital and Related Financing Activities	(122,596)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	41,461
Net Cash Provided (Used) by Investing Activities	41,461
Increase (Decrease) in Cash and Cash Equivalents	515,161
CASH AND CASH EQUIVALENTS, Beginning	2,251,280
CASH AND CASH EQUIVALENTS, Ending	$ 2,766,441
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ 23,862
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	324,821
Changes in Assets and Liabilities	
Accounts Receivable	(22,661)
Inventory	(16,120)
Accounts Payable	13,510
Accrued Compensated Absences	23,096
Net Cash Provided by Operating Activities	$ 346,508
NON-CASH CAPITAL ACTIVITIES	
Contributed Lines and Mains - Developer	$ 121,287

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Penrose Water District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Fremont County, Colorado, including the town of Penrose, Colorado. The District was established in 1967 to provide a safe and reliable drinking water supply to the District residents and commercial businesses. The District is governed by an elected five member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a proprietary fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses 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 non-operating revenues and expenses or capital contributions.

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

Assets, Liabilities and Net Position

Cash and Investments – Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

Accounts Receivables – All receivables are reported at their gross value. User services charges and tap fees create a perpetual lien on or against a property service until paid. Such liens may be foreclosed upon as provided by State statute. Therefore, an allowance for uncollectible accounts is not reported for user service charges and tap fees. The District also has availability contract agreements which allows a resident to pay over a period of time a tap fee.

Inventory – Inventory 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.

Capital Assets – Capital assets include land, water rights, water transmission systems, treatment plants, buildings and equipment, are reported in the financial statements net of accumulated depreciation. 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 estimated fair market value at the date of donation. All infrastructure assets owned by the District, which include water transmission systems, have been capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	10 - 30 years
Water Treatment Plant and Transmission and Distribution Lines	30 – 40 years
Machinery and Equipment	5 - 10 years

Water rights and water storage rights include acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, thus the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

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% based on the employee's years of service. The compensated absences are recognized as current salary costs when earned in the financial statements, and are paid from resources generated by the District.

Long-Term Obligations – Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The cost of refunding is reported as deferred outflows of resources and is amortized over the life of the related debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

(revenue) until then. The District has an item related to unavailable revenue – property taxes that is reported as deferred inflows of resources at December 31, 2022.

Capital Contributions – Tap fees collected, and water lines contributed to the District by developers are recorded as capital contributions when received.

Net Position – Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Net Investment in Capital Assets – The investment in capital assets consists of capital assets, net of accumulated depreciation, and net of related debt.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This classification includes the residual net position that does not meet the classification of "net investment in capital assets" or "restricted."

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2022 through July 6, 2023, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt premium/discounts, and costs of debt refunding are not budgeted.
- The District appropriates expenditures for the enterprise/operations fund and capital expenditures, and a separate appropriation for the related debt service.
- Prior to October 15, management submits to the 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.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2022 follows:

Petty Cash	$ 1,140
Cash Deposits	232,817
Investments	2,532,484
Total	$ 2,766,441

Cash and Investments are reported in the financial statements as follows:

Cash and Cash Equivalents	$ 2,150,297
Restricted Cash and Cash Equivalents	616,144
Total	$ 2,766,441

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to $250,000 for each financial institution. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the District had bank deposits totaling $248,296 of which $250,000 were insured by FDIC.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

At December 31, 2022 the District had the following investments:

	Maturity	
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	$ 2,082,372
COLOTRUST – EDGE	Weighted Average 6-12 monhts	450,112
Total		$ 2,532,484

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00, except for COLOTRUST EDGE, which strives to obtain a net asset value of $10/share. The Trust offers share in two portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. The portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ and COLOTRUST EDGE may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST EDGE is rated AAAf by FitchRatings. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted Cash and Investments

Restricted cash and investments consist of amounts for future capital improvement projects, and debt service reserves as required by the District's loans.

Future Capital Improvement Projects	$ 52,668
CWCB Debt Reserve	450,112
CWCB Debt Service Payments	113,364
Total	$ 616,144

NOTE 4: CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2022, is summarized below:

	Balances 12/31/2021	Additions	Deletions	Balances 12/31/2022
Capital Assets, not being depreciated				
Land	$ 242,794	$ -	$ -	$ 242,794
Water Rights	1,690,687	-	-	1,690,687
Water Storage Rights	2,549,144	-	-	2,549,144
Total Capital Assets, not being depreciated	4,482,625	-	-	4,482,625
Capital Assets, being depreciated				
Buildings and Improvements	550,401	-	22,553	527,848
Water Treatments Plant	2,617,997	-	-	2,617,997
Transmission and Distribution System	9,346,888	121,287	-	9,468,175
Machinery and Equipment	346,980	-	-	346,980
Total Capital Assets, being depreciated	12,862,266	121,287	22,553	12,961,000
Less accumulated depreciation				
Buildings and Improvements	(50,081)	(12,920)	(20,733)	(42,268)
Water Treatments Plant	(2,160,533)	(62,896)	-	(2,223,429)
Transmission and Distribution System	(3,183,323)	(238,108)	-	(3,421,431)
Machinery and Equipment	(305,325)	(10,897)	-	(316,222)
Total accumulated depreciation	(5,699,262)	(324,821)	(20,733)	(6,003,350)
Total Capital Assets, being depreciated, net	7,163,004	(203,534)	1,820	6,957,650
Total Capital Assets, net	$ 11,645,629	$ (203,534)	$ 1,820	$ 11,440,275

NOTE 5: LONG-TERM DEBT

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

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022	Due Within One Year
2010 CWCB Loan	$ 7,310,151	$ -	$ 205,773	$ 7,104,378	$ 212,460
2020 CWRPDA Loan	71,260	-	2,289	68,971	2,301
	7,381,411	-	208,062	7,173,349	214,761
Compensated Absences	34,681	23,096	-	57,777	-
Total	$ 7,416,092	$ 23,096	$ 208,062	$ 7,231,126	$ 214,761

2010 Colorado Water Conservation Board Loan

On December 13, 2010, the District entered into 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 $9,673,670, 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 purchase

NOTE 5: LONG-TERM DEBT (Continued)

2010 Colorado Water Conservation Board Loan (Continued)

500 acre feet of firm storage in Brush Hollow Reservoir. The net effective annual interest rate of this loan issue is 3.25% per annum. Principal and interest payments are annually on October 1, through October 1, 2045. This loan is secured by "base water revenues" and a special mill levy of 5.792 mills.

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 7% per annum from the date of default.

2020 Colorado Water Resources and Power Development Authority Loan

On October 19, 2020, the District obtained a loan in the amount of $239,800 from the Colorado Water Resources and Power Development Authority (the "Authority") to finance improvements to the water treatment and storage facilities. The Authority forgave $143,880 of principal and $23,120 of unspent loan proceeds were applied to the original loan amount, reducing the loan balance to $72,800. Principal and interest payments of $1,321, are due semi-annually on May 1 and November 1, through November 1, 2050. Interest accrues at 0.500% per annum.

Pledged Revenues – This loan is payable solely from gross revenues of the District's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2022, net revenues of $348,683 were available to pay annual debt service of $2,643. Remaining debt service at December 31, 2022 was $74,004.

A provision of the loan requires the net revenues (total revenues less operating and maintenance expenses) be at least 110% of the annual debt service due in any one year. During the year ended December 31, 2022, the District complied with this covenant.

Additionally, the loan requires the District to maintain an operations and maintenance reserve fund in an amount equal to three months of operations and maintenance expenses, excluding debt service and depreciation expense, as set forth in the annual budget for the current fiscal year. Accordingly, the District has restricted net position of $301,023, calculated as follows:

NOTE 5: LONG-TERM DEBT (Continued)

2020 Colorado Water Resources and Power Development Authority Loan (Continued)

	2022 Budget
Total Water Expenditures	$ 1,690,088
Less Debt Service	(445,996)
Less Capital Projects	(40,000)
Operations and Maintenance Expenditures	$ 1,204,092
3 Months of Operations and Maintenance	$ 301,023

Future Debt Service Requirements

Annual debt service requirements for the District's outstanding loans at December 21, 2022 are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	$ 214,761	$ 231,235	$ 445,996
2024	221,678	224,318	445,996
2025	228,818	217,178	445,996
2026	236,191	209,805	445,996
2027	243,803	202,193	445,996
2028 – 2032	1,342,131	887,847	2,229,978
2033 – 2037	1,573,107	656,871	2,229,978
2038 – 2042	1,844,089	385,889	2,229,978
2043 – 2047	1,260,906	82,367	1,343,273
2048 – 2050	7,865	64	7,929
Total	$ 7,173,349	$ 3,097,767	$ 10,271,116

NOTE 6: RETIREMENT PLAN

The District has adopted a 401(k) pension plan know as the Penrose Water District Profit Sharing Plan, administered by Qualified Pension Services, Inc., for all full-time employees, who, after ninety (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. For the year ended December 31, 2022, six employees are participating in the plan. For the year ended December 31, 2022, the District contributed $15,152 in matching contributions and participating employees contributed $46,001.

NOTE 7: 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 8: 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, through December 31, 2025. The agreement 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 receives 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 District's residents are also shareholders in Beaver Park. Members of the District Board of Directors or their relatives, from time to time, 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, 2022 two directors of the District had close relatives serving on the 5-member board of Beaver Park. For the year ended December 31, 2022 the District paid $140,000 to Beaver Park.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. On November 7, 2017, District voters approved a ballot measure to exempt the District from limitations imposed by the TABOR. The District believes it is in compliance with the requirements of the Amendment.

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2022 the emergency reserve of $47,000 was reported as a restriction of net position in the statement of net position.

SUPPLEMENTARY INFORMATION

PENROSE WATER DISTRICT

COMBINED BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Operating				
Utility Charges	$ 1,459,723	$ 1,448,672	$ 1,480,132	$ 31,460
Other Charges for Services	14,500	22,637	22,533	(104)
Non-Operating				
Property Taxes	220,100	220,100	221,211	1,111
Specific Ownership Taxes	25,000	25,261	28,577	3,316
Investment Income	1,500	33,259	41,461	8,202
Gain (Loss) on Assets Disposal	4,000	-	(1,820)	(1,820)
Capital Contributions				
Tap Fees	45,000	308,400	405,200	96,800
	1,769,823	2,058,329	2,197,294	138,965
EXPENDITURES				
Operations				
Water Treatment and Plant Operations	194,479	275,212	266,937	8,275
Distribution System	41,520	29,840	10,901	18,939
General Operating	215,487	210,292	222,392	(12,100)
Water Acquisition	50,000	-	-	-
Storage and Leased Water	28,929	25,099	25,381	(282)
Water Legal and Consulting	10,000	15,755	18,371	(2,616)
Water Engineering	5,000	1,574	1,442	132
Revegetation Project - Howard	15,000	5,364	-	5,364
Reserves	1,750	1,750	-	1,750
Total Operations	562,165	564,886	545,424	19,462
General and Administrative				
Personnel Services	591,993	535,783	561,861	(26,078)
Office Operating	49,934	45,298	46,697	(1,399)
Total General and Administrative	641,927	581,081	608,558	(27,477)
Debt Service				
Principal	445,996	445,996	208,062	237,934
Interest and Fiscal Charges	-	-	233,131	(233,131)
Total Debt Service	445,996	445,996	441,193	4,803
Capital Projects	40,000	2,732	-	2,732
TOTAL EXPENDITURES	1,690,088	1,594,695	1,595,175	(480)
CHANGE IN NET POSITION, Budgetary Basis	79,735	463,634	602,119	138,485
ADJUSTMENTS TO GAAP BASIS				
Principal			208,062	
Contributed Lines and Mains - Developer			121,287	
Depreciation			(324,821)	
CHANGE IN NET POSITION, GAAP Basis			606,647	
NET POSITION, Beginning			6,693,634	
NET POSITION, Ending			$ 7,300,281	

See the accompanying Independent Auditor's Report.

PENROSE WATER DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
DISTRICT OPERATIONS
Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Operating				
Utility Charges	$ 841,654	$ 851,927	$ 845,815	$ (6,112)
Other Charges for Services	14,500	22,637	22,533	(104)
Non-Operating				
Property Taxes	220,100	220,100	221,211	1,111
Specific Ownership Taxes	25,000	25,261	28,577	3,316
Investment Income	1,500	33,259	41,461	8,202
Gain (Loss) on Assets Disposal	4,000	-	(1,820)	(1,820)
Capital Contributions				
Tap Fees	45,000	308,400	405,200	96,800
	1,151,754	1,461,584	1,562,977	101,393
EXPENDITURES				
Operations				
Water Treatment and Plant Operations	194,479	275,212	266,937	8,275
Distribution System	41,520	29,840	10,901	18,939
General Operating	215,487	210,292	222,392	(12,100)
Reserves	1,750	1,750	-	1,750
Total Operations	453,236	517,094	500,230	15,114
General and Administrative				
Personnel Services	591,993	535,783	561,861	(26,078)
Office Operating	49,934	45,298	46,697	(1,399)
Total General and Administrative	641,927	581,081	608,558	(27,477)
Capital Projects	40,000	2,732	-	2,732
TOTAL EXPENDITURES	1,135,163	1,100,907	1,108,788	(7,881)
CHANGE IN NET POSITION, Budgetary Basis - District Operations	$ 16,591	$ 360,677	$ 454,189	$ 93,512

See the accompanying Independent Auditor's Report.

PENROSE WATER DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Operating				
Utility Charges	$ 618,069	$ 596,745	$ 634,317	$ 37,572
TOTAL REVENUES	618,069	596,745	634,317	37,572
EXPENDITURES				
Water Acquisition	50,000	-	-	-
Storage and Leased Water	28,929	25,099	25,381	(282)
Water Legal and Consulting	10,000	15,755	18,371	(2,616)
Water Engineering	5,000	1,574	1,442	132
Revegetation Project - Howard	15,000	5,364	-	5,364
Debt Service				
Principal	445,996	445,996	208,062	237,934
Interest and Fiscal Charges	-	-	233,131	(233,131)
TOTAL EXPENDITURES	554,925	493,788	486,387	7,401
CHANGE IN NET POSITION, Budgetary Basis	$ 63,144	$ 102,957	$ 147,930	$ 44,973

See the accompanying Independent Auditor's Report.