

**PARKVILLE WATER DISTRICT
LEADVILLE, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2023 and 2022

**LEADVILLE WATER DISTRICT
LEADVILLE, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Parkville Water District
Leadville, Colorado

Opinion

We have audited the financial statements of the business-type activities of Parkville Water District, as of and for the years ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Parkville Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Parkville Water District as of December 31, 2023, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Parkville Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Summarized Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2022, from which such summarized information was derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Parkville Water 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parkville Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parkville Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
Centennial, Colorado
March 14, 2024

PARKVILLE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parkville Water District (PWD), we offer readers of PWD's financial statements this narrative overview of the financial activities of PWD for the fiscal year ending December 31, 2023. We encourage readers to consider the information presented here in conjunction with PWD's financial statements and notes to the basic financial statements to enhance their understanding of PWD's financial performance.

FINANCIAL HIGHLIGHTS

- In 2023, the assets of PWD exceed its liabilities at the close of the 2023 fiscal year by \$10,546,338 (net position). Of this amount \$2,202,423 (unrestricted net position) may be used to meet PWD's ongoing obligations. In 2023, total assets increased \$1,320,992 while total liabilities decreased \$401,526 resulting in total net position increasing \$919,466
- PWD's operating expenses increased in 2023 by \$237,092. General and administrative expenses increased by \$86,842 in 2023.
- Operating revenues increased by \$245,273 in 2023 primarily due to a rate increase.
- Capital contributions decreased by \$69,958 in 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS OF PWD

The most common financial question posed to PWD is “How did we do financially during 2023”. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about PWD’s activities in a way that will help answer this question.

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

NET POSITION

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

Table A-1
Condensed Statements of Net Position

	FY2023	FY2022	FY2021
Current and Other Assets	\$ 2,843,810	\$ 2,884,791	\$ 3,093,492
Capital Assets	10,545,333	9,183,360	8,094,324
Total Assets	\$13,389,143	\$12,068,151	\$11,187,816
Liabilities	\$ 2,842,805	\$ 2,441,279	\$ 2,484,455
Total Liabilities	2,842,805	2,441,279	2,484,455
Invested in Capital Assets	7,790,924	6,894,580	5,708,241
Restricted Net Position	552,991	472,570	583,978
Unrestricted Net Position	2,202,423	2,259,722	2,411,142
Total Net Position	\$10,546,338	\$ 9,626,872	\$ 8,703,361

As can be seen from Table A-1 above, net position increased \$919,466 to \$10,546,338 in 2023 from \$9,626,872 in 2022. Changes in Net Position compared to 2022 included a \$1,361,973 increase in capital assets, \$40,981 decrease in current and other assets, and a \$401,526 increase in current and other liabilities. Cash on hand is up \$21k due to net income of \$919,466, \$1.3M capital project additions, additional plant investment fees in 2023 and \$375k of grant income. Accounts receivable is up from growth in Leadville, capital assets are up from new waterlines, purchased of new building and the plant expansion project and liabilities are up from current year loan payments and new loan on building.

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

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>
Operating Revenues	\$2,329,340	\$2,084,067	\$1,991,138
Non-operating Revenues	<u>423,142</u>	<u>365,410</u>	<u>243,648</u>
Total Revenues	<u>2,752,482</u>	<u>2,449,477</u>	<u>2,334,786</u>
Depreciation Expense	372,153	428,745	447,494
Operating Expense	1,062,408	855,566	966,626
General and Administrative Expense	<u>773,555</u>	<u>686,713</u>	<u>683,793</u>
Total Expenses	<u>2,208,116</u>	<u>1,971,024</u>	<u>2,098,213</u>
Income (Loss) Before Capital Contributions	<u>544,366</u>	<u>478,453</u>	<u>136,573</u>
Capital Contributions – Grant	<u>375,100</u>	<u>445,058</u>	<u> -</u>
Changes in Net Position	919,466	923,511	136,573
Beginning Net Position	<u>\$9,626,872</u>	<u>\$8,703,362</u>	<u>\$8,566,788</u>
Ending Net Position	<u>\$10,546,338</u>	<u>\$9,626,873</u>	<u>\$8,703,361</u>

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, the change in net position of \$919,466 resulted in the increase in net position in 2023.

PWD’s operating revenues and non-operating revenues increased by \$303,005 to \$2,752,482 in 2023 due to a 5% rate increase. In 2023 the grants decreased during the year by \$69,958, related to grant revenue for capital projects.

PWD’s operating expenses increased in 2023 by \$206,842 and general and administrative expenses increased by \$86,842 in 2023. Due to fixing our out dated system, leaks and preparing for our capital plant expansion project due to complete in 2023. Also labor cost went up around 11%.

BUDGETARY HIGHLIGHTS

PWD adopts an annual operating budget following public budget workshops and a public hearing. The operating budget includes proposed expenses and the means of financing them. A 2023 budget comparison and analysis is presented to the Board of Directors as interim financial statements.

A 2023 budget comparison and analysis is presented in Table A-3.

Table A-3
Budget vs. Actual
FY 2023

	Original/Final	Actual	Variance Over and (Under)
Revenues			
From Operations	\$ 2,045,200	\$ 2,232,812	\$ 187,612
Non-operating/loan proceeds	1,730,000	1,051,628	(678,372)
Non-operating revenues	186,000	423,142	237,142
Total Revenue	3,961,200	3,707,582	(253,618)
Operating Expenses			
Source of Supply	10,000	1,500	(8,500)
Power and Pumping	126,000	87,958	(38,042)
Water Treatment	240,200	220,240	(19,960)
Transmission and Distribution	592,500	687,776	95,276
Equipment Maintenance	63,000	64,934	1,934
Business Office	337,200	314,958	(22,242)
Employee Benefits	294,300	280,127	(14,173)
Outside Services and Other	166,000	178,470	12,470
Purchase of Property	1,977,000	1,734,125	(242,875)
Loan Principal	155,000	114,980	(40,020)
Plant, and Equipment			
Total Expenses	3,961,200	3,685,068	(276,132)
Net Loss per Budgetary Basis	\$ -	\$ 22,514	\$ 22,514

The revenue from operations was under budget by \$253,618 because of interest income and dry summer. The expenses were under budget by \$276,132. The budget for 2023 had our plant expansion project to be completed.

CAPITAL ASSETS

At the end of 2023, PWD had \$18,323,633 invested in capital assets as shown in Table A-4. At the end of 2022, PWD had \$15,007,310 invested in capital assets. Increase is due to new waterlines and the plant expansion project.

Table A-4
Capital Assets

	FY 2023	FY 2022	FY 2021
Source of Supply Plant	\$ 3,882,398	\$ 3,882,398	\$ 3,882,398
Pumping Plant	286,979	280,543	280,543
Water Treatment Plant	3,243,836	3,243,836	3,243,836
Transmission and Distribution Plant	5,651,469	5,541,023	5,321,390
General Plant	5,258,951	2,059,510	2,052,903
Sub-Total	18,323,633	15,007,310	14,781,070
Less Accumulated Depreciation	7,810,748	7,438,595	7,009,850
Net Capital Assets	\$ 10,512,885	\$ 7,568,715	\$ 7,771,220
Construction in progress	\$ 32,448	\$ 1,614,645	\$ 323,104

DEBT ADMINISTRATION

At December 31, 2012, PWD received a loan from the Colorado Water Conservation Board (CWCB) for the Canterbury Tunnel Repair Project for \$1,026,371. The payments are \$59,355 annually for 30 years, beginning February 1, 2014. At December 31, 2023 the balance was \$806,656.

At December 31, 2020 PWD received a loan from the Colorado Water Resources & Power Development Authority (CWR&PDA) for the Water Treatment Upgrade Project for \$1,606,445. The term of the loan is 20 years payable semi-annually beginning November 1, 2020 with an interest rate of 1.5%. The November 1, 2020 payment was \$9,677 and the payment due on May 1, 2021 is \$47,449. The payment due on November 1, 2021 is \$47,456 and remains this amount for the life of the loan. At December 31, 2023 the balance was \$1,382,733.

At December 31, 2023 PWD received a loan from NBA Bank for a purchase of a building and land for \$580,000. The term of the loan is 20 Years payable semi-annually beginning December 1, 2023 with an interest rate of 5.03%. Payments began December 1, 2023 for \$24,051 and remains this amount for the life of the loan. At December 31, 2023 the balance was \$565,020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Through the summer of 2023 and into the fall the Evans Gulch Expansion Project, reaching completion in August. The project came in on Budget at a total cost of \$1,500,000, with the assistance of a \$750,000 DOLA Grant. The project increases the plant water production capacity by an additional 1.1 million gallons per day.

At the Arkansas Well field, Triangle Electric and Brown's Hill Control did a full upgrade of the electrical and control system for all three of the pumps there. This project adds all three pumps to the Parkville SCADA system for monitoring and remote control of this water source. Total cost of this project was \$130,000 and was funded out of operating expenses.

Also, in 2023 Parkville was able to purchase the property adjacent to our business office. This gives room for future expansion of our yard for equipment and material storage. The facility also has a modern garage for equipment maintenance. The purchase price was \$550,000 funded by a \$580,000 loan from MBH Bank.

This spring will see completion of an emergency generator at the Chlorinator station for the Arkansas Wells, at a project cost of \$62,000.

The main focus of work for the summer of 2024 will be repair and replacement of aging components, service lines, main lines and hydrants in our Distribution System.

**Table A-5
Budget Rate History**

DISTRICT RATE HISTORY

<u>Fiscal Year</u>	<u>Minimum Monthly Charges</u>	<u>Gallons Allowed</u>
2013	\$33.00 \$ 4.00	3,000 1,000
2014	\$36.00 \$ 4.50	4,000 1,000
2015	\$37.50 \$ 4.50	4,000 1,000
2018	\$44.00 \$ 4.70	4,000 1,000
2020	\$51.00 \$ 5.45	4,000 1,000
2021	\$52.00 \$ 5.56	4,000 1,000
2022	\$54.00 \$ 5.78	4,000 1,000
2023	\$57.00 \$6.05	3,000 1,000
2024	\$60.00 \$6.30	3,000 1,000

PWD CONTACT INFORMATION

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

PARKVILLE WATER DISTRICT
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 1,837,139	\$ 1,895,790
Cash - restricted	552,991	472,570
Accounts receivable	279,210	231,354
Grant receivable	--	124,627
Inventory	172,385	159,043
Other	2,085	1,407
Total current assets	2,843,810	2,884,791
Noncurrent assets:		
Capital assets, net of accumulated depreciation	10,512,885	7,568,715
Construction in progress	32,448	1,614,645
Total noncurrent assets	10,545,333	9,183,360
Total assets	\$ 13,389,143	\$ 12,068,151
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 41,505	\$ 100,712
Customer deposits	9,167	9,167
Interest payable	37,724	42,620
Long term debt - due in one year	118,064	99,392
Total current liabilities	206,460	251,891
Noncurrent liabilities, net of current portion:		
Long term debt - due in more than one year	2,636,345	2,189,388
Total non current liabilities	2,636,345	2,189,388
Total liabilities	2,842,805	2,441,279
Net position:		
Net investment in capital assets	7,790,924	6,894,580
Restricted for:		
Drinking water revolving fund loan reserve	458,991	385,570
Labor Emergency Reserve	94,000	87,000
Unrestricted	2,202,423	2,259,722
Total net position	\$ 10,546,338	\$ 9,626,872

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

PARKVILLE WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2023 and 2022

	2023	2022
Operating Revenue		
Revenues:		
Sales of water	\$ 2,232,812	\$ 2,019,485
Other water revenue	96,528	64,582
Total operating revenues	2,329,340	2,084,067
Operating Expenses		
Operations	1,062,408	855,566
General & administrative expenses	773,555	686,713
Depreciation	372,153	428,745
Total operating expenses	2,208,116	1,971,024
Net operating income	121,224	113,043
Non-operating revenues:		
Plant investment fee	319,085	342,650
Interest on investments	93,857	4,861
Other non-operating revenue	10,200	17,899
Total non-operating revenue	423,142	365,410
Net income before contributions		
Capital Contributions		
Capital contributions - grant income	375,100	445,058
Total capital contributions	375,100	445,058
Change in net position	919,466	923,511
Total net position - beginning of year	9,626,872	8,703,361
Total net position - end of year	\$ 10,546,338	\$ 9,626,872

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

PARKVILLE WATER DISTRICT
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 2,406,111	\$ 1,920,988
Cash paid to suppliers	(1,285,685)	(944,582)
Cash payments to employees for services	(628,401)	(572,598)
Net cash provided by operating activities	492,025	403,808
Cash flows from capital financing activities:		
Plant investment fees	319,085	342,650
Acquisition of capital assets	(1,734,125)	(1,517,781)
Principal paid on loans	(114,372)	(97,303)
Proceeds received on new loan	580,000	--
Other non-operating revenue	10,200	17,899
Grant income	375,100	445,058
Net cash used by capital financing activities	(564,112)	(809,477)
Cash flows from investing activities:		
Interest on investments	93,857	4,861
Net cash provided by investing activities	93,857	4,861
Net increase (decrease) in cash	21,770	(400,808)
Cash and restricted cash, beginning of year	2,368,360	2,769,168
Cash and restricted cash, end of year	\$ 2,390,130	\$ 2,368,360
Reconciliation of operating (loss) to net cash provided by operations:		
Net operating income (loss)	\$ 121,224	\$ 113,043
Adjustments to reconcile operating (loss) to cash provided by operating activities:		
Depreciation	372,153	428,745
Decrease (increase) in:		
Accounts receivable	(47,856)	(38,452)
Grant receivable	124,627	(124,627)
Inventory	(13,342)	(28,974)
Other assets	(678)	(54)
(Decrease) increase in:		
Accounts payable	(59,207)	54,956
Interest payable	(4,896)	(829)
Total adjustments	370,801	290,765
Net cash provided by operating activities	\$ 492,025	\$ 403,808

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

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2023

1. Summary of significant accounting policies

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

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

Reporting entity

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

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

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

Measurement focus, basis of accounting and financial statement presentation

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

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

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

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2023

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

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

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

Cash and restricted cash

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

Fair value of financial instruments

The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates

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

Inventory

Inventory of pipe, fittings, and materials is valued at cost utilizing the first-in, first-out method. Inventory was determined based on a physical count at December 31, 2023 and 2022.

Capital assets

All purchased capital assets are recorded at cost, or estimated cost if actual cost is not available. Donated fixed assets are valued at their estimated fair market value at date of donation. Major capital outlays for capital assets and improvements are capitalized as projects are completed. The District capitalizes assets in excess of \$5,000.

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

Leases and Subscription-Based IT Arrangements

Under GASB 87 and 96, the District recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Long-term obligations

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

Net Position

Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes 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.

Budgetary information

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

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

Recently Issued Accounting Pronouncements

GASB Statement No 96 - In May 2020, GASB issued statement No 96, SBITA (Subscription-Based Information Technology Arrangements). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for arrangements that previously were classified as intangible operating leases and

PARKVILLE WATER DISTRICT
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recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that subscription leases are financings of the right to use an underlying asset. The provisions in statement 96 are effective for reporting periods beginning after June 15, 2022. The District implemented GASB Statement No. 96, SBITA, in the year ending December 31, 2023. No significant leases were identified, and as such, no changes have been made to the financial statements as a result of implementing this standard.

2. Detailed notes concerning the funds

Cash and cash equivalents

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2023, the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Restricted Cash

Restricted Cash - Tabor Emergency Reserve at December 31, 2023 and 2022 of \$94,000 and \$87,000, respectively, represents funds required under Amendment No. 1, the "Tabor Amendment" passed by Colorado voters in November 1992, for "emergency reserves" and may be utilized only for declared emergencies which exclude economic conditions, revenue shortfalls, and district salary and fringe benefit increases.

Restricted Cash - Reserve Fund at December 31, 2023 and 2022 of \$458,991 and \$385,570, respectively, represents funds required for the loan agreement with Colorado Water Resources & Power Development Authority to maintain an operations and maintenance reserve in an amount equal to three months of operating expenses excluding depreciation.

Investments

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

- Certificates of deposit with an original maturity in excess of three months
- Bonds and other interest-bearing obligations of the United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of local government entities in Colorado

- Banker's acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts, with certain exceptions
- Commercial paper

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Colostrust

The District invested in the Colorado Local 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 currently offers three portfolios – COLOTRUST PRIME and COLOTRUST PLUS+.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ 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 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 AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

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Receivables

Accounts receivable primarily consist of user fees for water services earned as of December 31, 2023 and 2022. The District considers all receivables to be collectible at December 31, 2023 and 2022.

Long-term debt

As of December 31, 2023 and 2022, the long-term debt of the District consisted of the following:

	<u>2023</u>	<u>2022</u>
<u>Colorado Water Resources & Power Development Authority</u>		
On May 22, 2020 the District entered into a loan contract with the CWR & PDA from the State of Colorado Drinking Water Revolving Fund with an original amount of \$2,000,000 for the Water Treatment Plant Upgrade Project. On November 16, 2020, the loan was reduced to \$1,606,445, with the term of the loan for twenty years and an interest rate of 1.5%. The loan is payable semi-annually beginning November 1, 2020. The payment due on November 1, 2020 was \$9,676.72. The payment due on May 1, 2022 is \$47,448. The payment due on November 1, 2022 is \$47,456 and remains this amount for the life of the loan. The loan is secured by pledged revenues. The accrued interest payable at December 31, 2023 and 2022 is \$6,821 and \$12,088, respectively.	\$ 1,382,733	\$ 1,456,077
<u>Colorado Water Conservation Board (CWCB)</u>		
On January 12, 2012 the District entered into a loan contract with the Colorado Water Conservation Board (CWCB) with an original amount of \$1,838,200 for the Canterbury Tunnel Repair Project. The loan amount was reduced to \$ 1,026,371 on June 6, 2013. The loan is payable annually beginning February 1, 2014 for thirty years in the amount of \$59,355 including principal and interest at the rate of 4.00%. Revenues of the District are pledged in an amount sufficient to pay the annual amount due under the loan contract. Accrued interest payable is \$29,577 and \$30,532 at December 31, 2023 and 2022 respectively.	806,656	832,703
<u>Bank Loan</u>		
On August 21, 2023, the District entered into a loan contract with a bank with an original amount of \$580,000 to purchase a building. The loan is payable semi-annually beginning December 1, 2023 for twenty years in the amount of \$24,058 including principal and interest at a rate of 5.63%. Accrued interest payable is \$1,326 and \$0 at December 31, 2023 and 2022, respectively.	565,020	--
<u>Total Long-term Debt</u>	<u>\$ 2,754,409</u>	<u>\$ 2,288,780</u>

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Annual debt service requirements to maturity are as follows:

Year	Interest	Principal	Payment
2024	\$ 84,320	\$ 118,064	\$ 202,384
2025	81,172	121,212	202,384
2026	77,910	124,474	202,384
2027	74,529	127,855	202,384
2028	71,588	131,361	202,949
2029-2033	296,542	714,153	1,010,695
2034-2038	187,904	824,017	1,011,921
2039-2043	68,056	593,273	661,329
Total	\$ 942,021	\$ 2,754,409	\$ 3,696,430

The following is an analysis of changes in long-term obligations for the year ended December 31, 2023.

	Balance January 1, 2023	Additions	Payments	Balance December 31, 2023	Due in One year
CWR & PDA Loan	\$ 1,456,077	\$ --	\$ (73,345)	\$ 1,382,733	\$ 74,449
CWCB Loan	832,703	--	(26,047)	806,656	27,089
Bank Loan	--	580,000	(14,980)	565,020	16,526
Total	\$ 2,288,780	\$ 580,000	\$ (114,372)	\$ 2,754,409	\$ 118,064

Net position

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

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

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

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

PARKVILLE WATER DISTRICT
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Changes in capital assets

The changes in capital assets for the year ended December 31, 2023 are as follows:

	Balance January 1, 2023	Additions	Reclassifications	Deletions	Balance December 31, 2023
Capital assets being depreciated					
Supply	\$ 3,882,398	\$ --	\$ --	\$ --	\$ 3,882,398
Pumping Plant	280,543	6,436	--	--	286,979
Water Treatment	3,243,836	--	--	--	3,243,836
Transmission & Distribution	5,541,023	110,446	--	--	5,651,469
General Plant	2,059,510	1,584,796	1,614,645	--	5,258,951
Total capital assets being depreciated	15,077,310	1,701,678	1,614,645	--	18,323,633
Accumulated depreciation	(7,438,595)	(372,153)	--	--	(7,810,748)
Net capital assets	7,568,715	1,329,525	1,614,645	--	10,512,885
Non-depreciated assets:					
Construction in progress	1,614,645	32,448	(1,614,645)	--	32,448
Total net book value	\$ 9,183,360	\$ 1,361,973	\$ --	\$ --	\$ 10,545,333

3. Other information

Risk management

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

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

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

The District pays annual premiums to the Pool for property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula. No distributions were made during the year ended December 31, 2023.

TABOR Amendment

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

The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2023

plans). The amendment does not apply to units that are defined as "Enterprises." The Parkville Water District does not qualify as an "Enterprise."

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

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

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

4. Pension Plans

Defined Contribution Plan (Money Purchase Pension Plan)

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

The District's total payroll for 2023 and 2022 was \$675,082 and \$601,721, respectively. The District's contributions were calculated using the eligible base salary amount of \$576,584 for 2023 and \$557,416 for 2022. The total cost to the District in 2023 and 2022 was \$46,415 and \$44,872, respectively, excluding administration fees.

Deferred Compensation Plan

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

5. Grants

During 2022, the District was awarded two reimbursable grants from Colorado Department of Local Affairs for a total of \$822,150. As of December 31, 2023 and 2022, the District met the eligibility

PARKVILLE WATER DISTRICT
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requirements and as such, recorded a total of \$372,578 and \$442,272, respectively, of this grant as revenue.

6. Subsequent Events

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

PARKVILLE WATER DISTRICT
Schedule of Revenues, Expenses and Changes in Net Position -
Budget (Non - US GAAP Basis) and Actual
For the year ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales of Water:			
Bulk water	\$ 3,000	\$ 3,366	\$ 366
Unmetered	2,700	1,693	(1,007)
Metered residential	1,365,000	1,517,547	152,547
Metered commercial	499,000	510,540	11,540
Standby fees	71,500	77,473	5,973
Sales to public authorities	104,000	122,193	18,193
Other Revenue:			
Miscellaneous service revenue	50,000	96,528	46,528
Grant income/loan proceeds	1,500,000	955,100	(544,900)
Unappropriated funds	180,000	--	(180,000)
Total revenue	3,775,200	3,284,440	(490,760)
Expenditures:			
Source of supply	10,000	1,500	(8,500)
Power & pumping	126,000	87,958	(38,042)
Water treatment	240,200	220,240	(19,960)
Transmission & distribution	592,500	687,776	95,276
Equipment maintenance	63,000	64,934	1,934
Business office	337,200	314,958	(22,242)
Employee benefits	294,300	280,127	(14,173)
Outside services & other	166,000	178,470	12,470
Capital outlay	1,977,000	1,734,125	(242,875)
Total expenditures	3,806,200	3,570,088	(236,112)
Non-Operating Revenues:			
Plant investment fee	165,000	319,085	154,085
Interest income	6,000	93,857	87,857
Other non-operating revenue	15,000	10,200	(4,800)
Total non-operating revenues	186,000	423,142	237,142
Debt service:			
Loan principal	155,000	114,980	(40,020)
Total debt service	155,000	114,980	(40,020)
Net income - non - US GAAP budgetary basis	\$ -	\$ 22,514	\$ 22,514
Adjustments to US GAAP basis:			
Waste water revolving loan principal		114,980	
Bank loan proceeds		(580,000)	
Capital outlay - capitalized		1,734,125	
Depreciation expense		(372,153)	
Total adjustments to US GAAP basis		896,952	
Net income - US GAAP basis		\$ 919,466	

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