



TOWN OF NATURITA, COLORADO
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019

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**INDEPENDENT AUDITOR'S REPORT**

June 26, 2020

Honorable Mayor and Board of Trustees
Town of Naturita, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Naturita, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Naturita, Colorado, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Trustees
Town of Naturita
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Naturita's basic financial statements. The enterprise fund budget to actual schedule and the local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

This management's discussion and analysis of the Town of Naturita financial statements provides an overview of the Town's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the Town's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the Town:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the Town government, reporting the Town's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the Town as a whole and include *all* assets, liabilities, and deferred inflows 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.

These two statements report the Town's *net position* and changes in it. The Town's net position – the difference of assets, liabilities, and deferred inflows – are one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the Town's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the Town.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's *funds*, focusing on its most significant funds – not the Town as a whole. The Town's major governmental funds include the General Fund, the Conservation Trust Fund, and the Lodging Tax Fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the Town rather than the Town as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Governmental funds – The Town's activities are reported in three governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental funds financial statements provide a detailed *short-term view* of the Town's general government operations, cultural and recreational services, and the basic services they provide. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements.

THE TOWN AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the Town as a whole. Following is a summary of the Town's net position for the fiscal years 2018 and 2019.

	2018			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	484,941	430,501	915,442	618,439	569,388	1,187,827
Capital assets	1,368,037	1,395,354	2,763,391	1,325,206	1,334,817	2,660,023
Total Assets	1,852,978	1,825,855	3,678,833	1,943,645	1,904,205	3,847,850
Long-term liabilities outstanding	-	87,073	87,073	-	81,017	81,017
Other liabilities	11,394	73,145	84,539	21,888	46,123	68,011
Deferred Inflows	38,258	-	38,258	41,490	-	41,490
Total liabilities/deferred inflows	49,652	160,218	209,870	63,378	127,140	190,518
Net Position:						
Net Investment in capital assets	1,368,037	1,308,281	2,676,318	1,325,206	1,253,800	2,579,006
Restricted for marketing & promotion	60,241	-	60,241	59,730	-	59,730
Restricted for emergencies	15,649	-	15,649	15,511	-	15,511
Unrestricted	359,399	357,356	716,755	479,820	523,265	1,003,085
Total net position	1,803,326	1,665,637	3,468,963	1,880,267	1,777,065	3,657,332

The Town shows a positive balance in net position. The most significant items on the statement of net position are the capital assets and these are described in more depth in *Note D* to the financial statements.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Statement of Activities

The perspective of the Statement of Activities is of the Town as a whole. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues, sales taxes, and general property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2018 and 2019.

	2018			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Program revenues:						
Charges for Services	13,296	413,526	426,822	34,386	463,240	497,626
Grants and Contributions	151,162	-	151,162	73,014	-	73,014
General revenues:						
Taxes	361,505	-	361,505	417,689	-	417,689
Interest, other revenue, transfers	1,177	41,499	42,676	1,175	656	1,831
Total revenues	527,140	455,025	982,165	526,264	463,896	990,160
EXPENSES:						
General government	228,057	-	228,057	220,307	-	220,307
Public Safety	65,895	-	65,895	81,359	-	81,359
Public Works	101,452	-	101,452	105,004	-	105,004
Culture and recreation	39,208	-	39,208	42,652	-	42,652
Utility operations	-	405,245	405,245		352,468	352,468
Total expenses	434,612	405,245	839,857	449,322	352,468	801,790
Increase (decrease) in net position	92,527	49,780	142,307	76,941	111,428	188,369
Net position January 1	1,710,799	1,615,857	3,326,656	1,803,326	1,665,637	3,468,963
Net position December 31	1,803,326	1,665,637	3,468,963	1,880,267	1,777,065	3,657,332

The Town's primary sources of revenue are from taxes and utility fees. These revenues are used to pay the cost of the general government and the cost of the utility activity expenses.

The Town operated at an increase in net position for governmental activities in 2018 and 2019; the primary increase in 2018 was due to increased sales tax and severance tax.

The Town reported an increase in net position for business-type activities in 2018 as well as an increase in 2019. A Capital Improvement Plan and Rate Study was completed by Element Engineers in September of 2018. Several grants and loans will be needed to help construct and improve its water and wastewater treatments systems. The Town increased rates in April 2014 and in 2015 to cover operating costs. No increase was implemented in 2016, 2017 or 2018. However, on January 1, 2019 a \$10 increase in sewer rates and a \$5 increase in water rates was implemented.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

THE TOWN'S FUNDS

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting for governmental funds.

At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from operating loans, if any, are presented as a revenue item while outflows for capital outlay and debt service payments, if any, are presented as an expenditure item, as these items represent current period financial resources and uses.

For the year ended 12/31/2019, governmental fund balances were increased by \$119,772. This is due to a decrease of \$82,077 in our expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the Town during fiscal year 2019. Much of the Town's activities during 2019 were driven by applying for a Community Development Block Grant through DOLA to implement replacing the most critical water lines identified by our CIP. We were also given a small grant through Colorado Department of Public Health & Environment to repair a water line below our storage tank and begin the engineering to replace a water line that crosses the river. We purchased a street sweeper and water truck at an auction, and both required some work to be fully functional. The Public Works department worked closely with Colorado Rural Water to make sure the Town stayed in compliance with the drinking water rules. The Town of Naturita approved the opening of two retail marijuana stores which opened in June. We were also working with the University Technical Assistance Program to design a remodel for our Community Building to turn it into a Town Hall and Campus. The Town participated in the Affordable Housing committee as a stakeholder as well as the San Miguel River Partnership.

General Fund Resources (Inflows)

The Town's final actual revenues in the amount of \$504,634 were less than budget expectations of \$613,149 by (\$108,515) primarily because of decreased property taxes, and the marijuana sales tax and licensing more than likely got put into the intergovernmental revenues for budgetary purposes.

General Fund Charges to Appropriations (Outflows)

The Town's final actual expenditures of \$384,017 were \$114,609 less than the final appropriated balance of \$498,626. There were several items in the budget that did not require all the funds appropriated and we did not spend the contingency.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

UTILITY FUND BUDGETARY HIGHLIGHTS

The Town's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the Town during fiscal year 2019.

Utility Fund Resources (Inflows)

The Town's final actual revenues in the amount of \$463,896 were over budget expectations of \$427,590 by \$36,306 primarily due to increased rates for water and sewer services.

Utility Fund Charges to Appropriations (Outflows)

The Town's final actual budgetary basis expenditures of \$297,987 were \$190,282 less than the final appropriated budget of \$488,269. The rate increase is to build up our account for the anticipated Waste Water Treatment Plant compliance construction.

CONSERVATION TRUST FUND BUDGETARY HIGHLIGHTS

The Town's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the Town during fiscal year 2019.

Conservation Trust Fund Resources (Inflows)

The Town's final actual revenues in the amount of \$6,191 were over budget expectations of \$5,381 by \$810 due to the expectation of less income in this fund.

Conservation Trust Fund Charges to Appropriations (Outflows)

The Town's final expenditures of \$6,525 were \$26,475 less than the final appropriated balance of \$33,000 as the Park Construction Grant from GOCO was denied. We did not spend the match.

LODGING FUND BUDGETARY HIGHLIGHTS

The Town's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the Town during fiscal year 2019.

Lodging Tax Fund Resources (Inflows)

The Town's final actual revenues in the amount of \$15,438 were higher than budget expectations of \$12,566 by \$2,872 due to a busy year for the local hotels because of the workers in town for the replacement of a power line.

Lodging Tax Fund Charges to Appropriations (Outflows)

The Town's final expenditures of \$15,949 were \$7,151 less than the final appropriated balance of \$23,100 as some of the local Chamber of Commerce/Visitor Center funding was done through the General Fund.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

CAPITAL ASSETS

At the end of 2019, the Town had a total of \$1,325,206 invested in net capital assets of governmental activities. The amount of capital assets for business-type activities totaled \$1,334,817 after accumulated depreciation, a decrease of \$60,537 over 2018. There were no retirements in 2019 in the business-type activities; there were no retirements in governmental activities. *See Note D, Capital Assets.*

LONG-TERM DEBT

During 2012, the Town entered into a loan to assist in the renovation of the Town's sewer system. The loan was for \$700,000 with \$500,000 forgiven at closing. The remaining balance on the loan at December 31, 2019 was \$81,017. *See Note E, Long-term Liabilities.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Utility Fund 2020 Budget anticipates that revenues will increase as the Town implemented a \$10 rate increase for sewer service and a \$5 rate increase for water service effective January 1, 2019.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Town of Naturita
Attn: Kathy Cooper, Town Treasurer
PO Box 505
Naturita CO 81422
Tel: (970) 865-2286
Fax: (970) 865-2815
E-mail: thnaturita@nntcwireless.com

Town of Naturita, Colorado

STATEMENT OF NET POSITION

December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 528,126	\$ 539,397	\$ 1,067,523
Receivables			
Accounts	-	45,408	45,408
Property taxes	39,095	-	39,095
Intergovernmental	35,801	-	35,801
Interfund accounts	15,417	(15,417)	-
Capital assets (net of accumulated depreciation):			
Land and water shares	147,215	77,870	225,085
Construction in progress	75,000	-	75,000
Infrastructure, net	1,000,032	-	1,000,032
Buildings and improvements, net	66,915	1,251,435	1,318,350
Equipment, net	36,044	5,512	41,556
Total assets	1,943,645	1,904,205	3,847,850
LIABILITIES			
Accounts payable	21,888	4,538	26,426
Customer deposits	-	41,585	41,585
Long-term liabilities			
Note payable due within one year	-	6,116	6,116
Note payable due after one year	-	74,901	74,901
Total liabilities	21,888	127,140	149,028
DEFERRED INFLOWS			
Property taxes	41,490	-	41,490
Total deferred inflows	41,490	-	41,490
Total liabilities and deferred inflows	63,378	127,140	190,518
NET POSITION			
Net investment in capital assets	1,325,206	1,253,800	2,579,006
Restricted for marketing and promotion	59,730	-	59,730
Restricted for emergency reserves	15,511	-	15,511
Unrestricted	479,820	523,265	1,003,085
Total net position	\$ 1,880,267	\$ 1,777,065	\$ 3,657,332

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 220,307	\$ 28,768	\$ 39,980	\$ -	\$ (151,559)	\$ -	\$ (151,559)
Public safety	81,359	5,303	-	-	(76,056)	-	(76,056)
Public works	105,004	65	-	26,917	(78,022)	-	(78,022)
Culture and recreation	42,652	250	-	6,118	(36,284)	-	(36,284)
Total governmental activities	<u>449,322</u>	<u>34,386</u>	<u>39,980</u>	<u>33,034</u>	<u>(341,922)</u>	<u>-</u>	<u>(341,922)</u>
Business-type activities:							
Utility fund	352,468	463,240	-	-	-	110,772	110,772
Total primary government	<u>\$ 801,790</u>	<u>\$ 497,626</u>	<u>\$ 39,980</u>	<u>\$ 33,034</u>	<u>(341,922)</u>	<u>110,772</u>	<u>(231,150)</u>
General revenues:							
Property taxes					46,685	-	46,685
Sales and use taxes					371,004	-	371,004
Grants and contributions not restricted to specific programs					510	-	510
Investment earnings					665	656	1,321
Total general revenues					<u>418,863</u>	<u>656</u>	<u>419,519</u>
Change in net position					<u>76,941</u>	<u>111,428</u>	<u>188,369</u>
Net position - beginning					<u>1,803,326</u>	<u>1,665,637</u>	<u>3,468,963</u>
Net position - ending					<u>\$ 1,880,267</u>	<u>\$ 1,777,065</u>	<u>\$ 3,657,332</u>

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

	General	Lodging Tax Fund	Conservation Trust Fund	Total
ASSETS				
Cash and investments	\$ 419,568	\$ 59,768	\$ 48,790	\$ 528,126
Due from other funds	15,417	-	-	15,417
Receivables				
Property taxes	39,095	-	-	39,095
Intergovernmental	35,801	-	-	35,801
Total assets	<u>509,881</u>	<u>59,768</u>	<u>48,790</u>	<u>618,439</u>
LIABILITIES				
Accounts payable	21,850	38	-	21,888
Total liabilities	<u>21,850</u>	<u>38</u>	<u>-</u>	<u>21,888</u>
DEFERRED INFLOWS				
Property taxes	41,490	-	-	41,490
Total deferred inflows	<u>41,490</u>	<u>-</u>	<u>-</u>	<u>41,490</u>
Total liabilities and deferred inflows	<u>63,340</u>	<u>38</u>	<u>-</u>	<u>63,378</u>
FUND BALANCES				
Restricted for marketing and promotion	-	59,730	-	59,730
Restricted for conservation	-	-	48,790	48,790
Restricted for emergencies	15,511	-	-	15,511
Unassigned	431,030	-	-	431,030
Total fund balances	<u>\$ 446,541</u>	<u>\$ 59,730</u>	<u>\$ 48,790</u>	<u>\$ 555,061</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per above	\$ 555,061
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of the assets is \$1,784,969 and the accumulated depreciation is \$459,763.	<u>1,325,206</u>
Total net position - governmental activities	<u>\$ 1,880,267</u>

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2019

	General	Lodging Tax Fund	Conservation Trust Fund	Total
Revenues				
Taxes				
General property	\$ 40,569	\$ -	\$ -	\$ 40,569
Specific ownership	6,116	-	-	6,116
Sales and use	371,027	15,354	-	386,381
Severance	16,624	-	-	16,624
Licenses and permits	21,024	-	-	21,024
Intergovernmental	40,543	-	6,118	46,661
Fines and forfeitures	4,917	-	-	4,917
Miscellaneous	3,814	84	73	3,971
Total revenues	504,634	15,438	6,191	526,263
Expenditures				
Current				
General government	204,358	15,949	-	220,307
Public safety	80,740	-	-	80,740
Public works	56,499	-	-	56,499
Culture and recreation	33,504	-	6,525	40,029
Capital outlay	8,916	-	-	8,916
Total expenditures	384,017	15,949	6,525	406,491
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	120,617	(511)	(334)	119,772
Fund balances beginning of year	325,924	60,241	49,124	435,289
Fund balances end of year	\$ 446,541	\$ 59,730	\$ 48,790	\$ 555,061

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances per above	\$ 119,772
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period (\$5,250 - \$48,081).	(42,831)
Change in net position of governmental activities	\$ 76,941

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL

Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
General property	\$ 50,025	\$ 50,025	\$ 40,569	\$ (9,456)
Specific ownership	5,775	5,775	6,116	341
Sales and use	283,937	283,937	371,027	87,090
Severance	8,500	8,500	16,624	8,124
Licenses and permits	6,020	6,020	21,024	15,004
Intergovernmental	254,404	254,404	40,543	(213,861)
Fines and forfeitures	3,500	3,500	4,917	1,417
Miscellaneous	988	988	3,814	2,826
Total revenues	613,149	613,149	504,634	(108,515)
Expenditures				
Current				
General government	165,915	165,915	204,358	(38,443)
Public safety	82,250	82,250	80,740	1,510
Public works	90,884	90,884	56,499	34,385
Culture and recreation	76,442	76,442	33,504	42,938
Contingency	21,635	21,635	-	21,635
Capital outlay	61,500	61,500	8,916	52,584
Total expenditures	498,626	498,626	384,017	114,609
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	114,523	114,523	120,617	6,094
Fund balance beginning of year	727,052	727,052	325,924	(401,128)
Fund balance end of year	\$ 841,575	\$ 841,575	\$ 446,541	\$ (395,034)

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
LODGING TAX SPECIAL REVENUE FUND - BUDGET AND ACTUAL

Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales and use	\$ 12,500	\$ 12,500	\$ 15,354	\$ 2,854
Interest	66	66	84	18
Total revenues	<u>12,566</u>	<u>12,566</u>	<u>15,438</u>	<u>2,872</u>
Expenditures				
Current - general government	23,100	23,100	15,949	7,151
Total expenditures	<u>23,100</u>	<u>23,100</u>	<u>15,949</u>	<u>7,151</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,534)	(10,534)	(511)	10,023
Fund balance beginning of year	<u>44,764</u>	<u>44,764</u>	<u>60,241</u>	<u>15,477</u>
Fund balance end of year	<u>\$ 34,230</u>	<u>\$ 34,230</u>	<u>\$ 59,730</u>	<u>\$ 25,500</u>

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CONSERVATION TRUST SPECIAL REVENUE FUND - BUDGET AND ACTUAL

Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 5,300	\$ 5,300	\$ 6,118	\$ 818
Miscellaneous	81	81	73	(8)
Total revenues	<u>5,381</u>	<u>5,381</u>	<u>6,191</u>	<u>810</u>
Expenditures				
Current				
Culture and recreation	33,000	33,000	6,525	26,475
Total expenditures	<u>33,000</u>	<u>33,000</u>	<u>6,525</u>	<u>26,475</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,619)	(27,619)	(334)	27,285
Fund balance beginning of year	<u>48,973</u>	<u>48,973</u>	<u>49,124</u>	<u>151</u>
Fund balance end of year	<u>\$ 21,354</u>	<u>\$ 21,354</u>	<u>\$ 48,790</u>	<u>\$ 27,436</u>

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF NET POSITION
PROPRIETARY FUND

December 31, 2019

		Utility Enterprise Fund
ASSETS		
Current assets		
Cash and investments		\$ 539,397
Accounts receivable, net of allowance		45,408
	Total current assets	<u>584,805</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation		<u>1,334,817</u>
	Total assets	<u><u>\$ 1,919,622</u></u>
LIABILITIES AND NET POSITION		
Liabilities		
Current liabilities		
Accounts payable		\$ 4,538
Due to other funds		15,417
Customer deposits		41,585
Current portion of long-term debt		6,116
	Total current liabilities	<u>67,656</u>
Long-term note payable, less current portion		74,901
	Total liabilities	<u>142,557</u>
Net position		
Net investment in capital assets		1,253,800
Unrestricted		523,265
	Total net position	<u><u>1,777,065</u></u>
	Total liabilities and net position	<u><u>\$ 1,919,622</u></u>

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

Year ended December 31, 2019

		Utility Enterprise Fund
Operating revenues		
Charges for services		\$ 463,240
	Total operating revenues	<u>463,240</u>
Operating expenses		
Personal services		82,605
Operating expenses		77,326
Purchased services		120,245
Other charges		5,124
Depreciation		66,312
	Total operating expenses	<u>351,612</u>
Operating income (loss)		111,628
Nonoperating revenues (expenses)		
Interest income		656
Interest expense		(856)
	Total nonoperating revenues (expenses)	<u>(200)</u>
Change in net position		111,428
Net position at beginning of year		<u>1,665,637</u>
Net position at end of year		<u>\$ 1,777,065</u>

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2019

	Utility Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 468,994
Cash paid to suppliers	(236,830)
Cash paid to employees	(82,605)
Net cash provided (used) by operating activities	149,559
Cash flows from noncapital financing activities:	
Change in due to other funds	(5,278)
Net cash provided (used) by noncapital financing activities	(5,278)
Cash flows from investing activities:	
Interest earned	656
Net cash provided (used) by investing activities	656
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,775)
Proceeds from grants	36,407
Debt payments	(6,056)
Interest paid	(856)
Net cash provided (used) by financing activities	23,720
Net increase (decrease) in cash	168,657
Cash at beginning of year	370,740
Cash at end of year	\$ 539,397
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	\$ 111,628
Adjustments to reconcile net operating income to net cash provided (used) by operating activities	
Depreciation	66,312
Changes in assets and liabilities:	
Increase in accounts receivable	(1,359)
Decrease in accounts payable	(34,135)
Increase in customer deposits	7,113
Total adjustments	37,931
Net cash provided (used) by operating activities	\$ 149,559

The accompanying notes are an integral part of this statement.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Town of Naturita, Colorado was formed in September 1950. The governing body of the Town is an elected seven-member Board of Trustees, headed by a Mayor.

The Town's financial statements include the accounts and operations of all Town functions including, but not limited to, public safety, street construction and maintenance, water and sanitation, culture and general administration as provided by the Town charter.

The accounting policies of the Town of Naturita conform to generally accepted accounting principles (GAAP) as applicable to governments and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals.

2. Government-wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements summarize information of the governmental and business-type activities of the Town. Governmental activities, which are generally financed by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from Business-type activities, which are financed in whole or in part by fees and charges made to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among the program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

Government-Wide and Proprietary Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. All assets, liabilities, deferred inflows, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major revenues that are determined to be susceptible to accrual include sales and use taxes, property taxes, utility franchise fees, grants-in-aid earned, interest, rentals and charges for services. Major revenues that are determined to not be susceptible to accrual, because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable, include licenses, permits, fines and forfeitures.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

The General Fund is the general operating fund of the Town. It accounts for all activities of the general government except those required to be accounted for in another fund.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Lodging Tax Fund is a special revenue fund that accounts for lodging tax revenues, which must be expended on advertising and marketing local tourism, as required by C.R.S. 30-11-107.5.

The Conservation Trust Fund is a special revenue fund that accounts for the proceeds of lottery funds received from the State of Colorado.

The Town reports the following major proprietary fund:

The Utility Fund accounts for all activities associated with providing water and sewer services to customers within the water and sewer service area.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity has not been eliminated in the fund financial statements, if any.

Amounts reported as program revenues include:

1. Charges to customers for goods and services
2. Operating grants and contributions
3. Capital grants and contributions

Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include operating expenses, purchased services, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Fund Equity and Fund Balances

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints. Note that not all of these classifications may be used in a given year.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the Town's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The Town will only report a positive unassigned fund balance in the General Fund.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted assets first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

5. Assets, Liabilities, and Net Position

Cash and Investments

Cash includes amounts in demand deposits.

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Colorado State Statutes limit the local governments to the following types of investments:

- Obligations of the United States or obligations unconditionally guaranteed by the United States
- Bonds of the State of Colorado and its political subdivisions
- Certain obligations secured by mortgages
- Bankers acceptances
- Commercial paper
- State investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts

Interfund Receivables and Payables

Receivables and payables classified as “due from other funds” or “due to other funds” on the balance sheet arise from negative equity in pooled cash and investments. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statement as “internal balances”.

Property Taxes

Property taxes as set by the Board of Trustees are collected by the County Treasurer. The County Treasurer remits property taxes collected to the Town by the 10th day of the month following collection. Property taxes receivable represent 2019 taxes collectible in 2020 and are also shown as deferred inflows. Following are details of the property tax calendar:

Levy date:	December 22 (prior year)
Lien date:	January 1 (current year)
First ½ installment due:	February 28
Second ½ installment due:	June 15
If paid in full:	April 30

Accounts Receivable

The Town considers accounts receivable for the Utility fund to be fully collectible because the Town can place liens on individual properties.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town has elected to apply the standards related to infrastructure assets prospectively. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated.

Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Improvements are capitalized and depreciated over the remaining useful lives of the capital asset, as applicable.

Capital assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

	<u>Estimated lives</u>
Building and improvements	40 years
Utility plant and system	15 to 50 years
Equipment	3 to 10 years
Infrastructure	40 years

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Contraband Seizures

The Town received no seizure funds in 2019.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of 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, liabilities, deferred inflows, and disclosure of contingent 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.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual appropriated expenditure budgets are adopted for all governmental funds on the modified accrual basis of accounting. An annual appropriation budget is also adopted for the proprietary fund on the accrual basis modified to include capital expenditures and debt service principal payments and to exclude depreciation. The budget is prepared by the Town Clerk. The appropriations are adopted, and may not be exceeded, on a total fund basis. The details of the budget calendar follow:

October 15	Statutory deadline for submission of proposed budget to Board of Trustees
December 15	Statutory deadline for certification of all mill levies to the Board of County Commissioners
December 22	Statutory deadline for Board of County Commissioners to levy all taxes and certify the levies

On or before December 31, the Board of Trustees enacts an ordinance appropriating the budgets for the ensuing fiscal year. The Board of Trustees may amend the appropriation at any time during the year, as a result of any casualty, accident, or unforeseen contingency.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. Even though the budget enacted by the Board of Trustees is at the fund level, the Town prepares a line item budget by department and cost center for control at the line item level. Budget reallocation between funds requires the Board of Trustees approval through a supplemental appropriation.

Excess of Expenditures Over Appropriations

Colorado statutes prohibit expenditures on a total fund basis in excess of amounts appropriated. The Town did not have any funds with actual expenditures that exceeded the board approved appropriations for 2019.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE C – CASH AND INVESTMENTS

Colorado State Statutes require that all deposits be secured by federal deposit insurance or secured by collateral. Statutes require a financial institution to deposit collateral with another financial institution securing 102% of the aggregate amount of public funds held which exceed the amount insured by federal deposit insurance. Deposits must be made in financial institutions in the State of Colorado.

The composition of all cash and investments held by the Town at December 31, 2019, is as follows:

Cash on hand	\$ 731
Insured by FDIC	250,000
Collateralized as noted above	<u>835,252</u>
	985,983
Plus reconciling items	<u>81,540</u>
Total cash and investments	<u>\$ 1,067,523</u>

NOTE D – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
CIP	\$ 69,750	\$ 5,250	\$ –	\$ 75,000
Land	<u>147,215</u>	<u>–</u>	<u>–</u>	<u>147,215</u>
Total capital assets, not being depreciated	<u>216,965</u>	<u>5,250</u>	<u>–</u>	<u>222,215</u>
Capital assets, being depreciated:				
Buildings	238,481	–	–	238,481
Equipment	173,252	–	–	173,252
Infrastructure	<u>1,151,021</u>	<u>–</u>	<u>–</u>	<u>1,151,021</u>
Total capital assets, being depreciated	<u>1,562,754</u>	<u>–</u>	<u>–</u>	<u>1,562,754</u>
Less accumulated depreciation for:				
Buildings	(167,318)	(4,248)	–	(171,566)
Equipment	(122,555)	(14,653)	–	(137,208)
Infrastructure	<u>(121,809)</u>	<u>(29,180)</u>	<u>–</u>	<u>(150,989)</u>
Total accumulated depreciation	<u>(411,682)</u>	<u>(48,081)</u>	<u>–</u>	<u>(459,763)</u>
Total capital assets, being depreciated, net	<u>1,151,072</u>	<u>(48,081)</u>	<u>–</u>	<u>1,102,991</u>
Governmental activities capital assets, net	<u>\$1,368,037</u>	<u>\$ (42,831)</u>	<u>\$ –</u>	<u>\$1,325,206</u>

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE D – CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 67,870	\$ –	\$ –	\$ 67,870
Water shares	10,000	–	–	10,000
Total capital assets, not being depreciated	<u>77,870</u>	<u>–</u>	<u>–</u>	<u>77,870</u>
Capital assets, being depreciated:				
Buildings and systems	3,546,745	–	–	3,546,745
Equipment	40,905	5,775	–	46,680
Total capital assets, being depreciated	<u>3,587,651</u>	<u>5,775</u>	<u>–</u>	<u>3,593,426</u>
Less accumulated depreciation for:				
Buildings and systems	(2,230,199)	(65,112)	–	(2,295,311)
Equipment	(39,968)	(1,200)	–	(41,168)
Total accumulated depreciation	<u>(2,270,167)</u>	<u>(66,312)</u>	<u>–</u>	<u>(2,336,479)</u>
Total capital assets, being depreciated, net	<u>1,317,484</u>	<u>(60,537)</u>	<u>–</u>	<u>1,256,947</u>
Business-type activities capital assets, net	<u>\$1,395,354</u>	<u>\$ (60,537)</u>	<u>\$ –</u>	<u>\$1,334,817</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Public safety	\$ 619
Public works	44,839
Culture and recreation	<u>2,623</u>
Total depreciation expense – governmental activities	<u>\$ 48,081</u>

NOTE E – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2019 were as follows:

	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Business-type Activities					
CWRPDA Sewer Loan	<u>\$ 87,073</u>	<u>\$ –</u>	<u>\$ 6,005</u>	<u>\$ 81,017</u>	<u>\$ 6,116</u>

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E – LONG-TERM LIABILITIES – CONTINUED

Sewer Plant Loan:

Colorado Water Resources & Power Development Authority (CWRPDA) loan, in the original issue amount of \$700,000 with \$500,000 forgiven at loan closing, was issued at the loan closing on June 4, 2012. The remaining loan was \$200,000 with interest thereon at the rate of 1.0% per annum. The full amount of the loan of \$200,000 was required to be recorded at closing, with the undistributed funds recorded as a grant receivable. Not all of the available loan was needed and an adjustment of \$69,936 was made to the loan during 2014. Principal and interest are payable May 1 and November 1, with the final payment due May 1, 2032. The loan matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,116	\$ 795	\$ 6,911
2021	6,177	734	6,911
2022	6,239	672	6,911
2023	6,302	609	6,911
2024	6,365	546	6,911
2025-2029	32,796	1,759	34,555
2030-2032	<u>17,022</u>	<u>256</u>	<u>17,278</u>
	<u>\$ 81,017</u>	<u>\$ 5,371</u>	<u>\$ 86,388</u>

The Town has the option to prepay the loan, in whole or in part, upon prior written notice. The Town has pledged the net revenues of the wastewater treatment system. The loan agreement requires the Town to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses and to meet a rate covenant. The calculations to verify these requirements have been defined by CWRPDA.

The operation and maintenance reserve calculation is that current assets minus current liabilities needs to be greater than the result of operating expenses less depreciation times .25. For 2019 the calculation is:

$$\$584,805 - \$61,540 = \$523,265$$

$$\$352,468 - \$66,312 = \$286,156 \times .25 = \$71,539$$

$\$523,265 > \$71,539$ Therefore, the operation and maintenance reserve requirement is met.

The rate covenant calculation is that total system revenues less operating expenses (without depreciation) divided by annual debt service needs to be greater than or equal to 1.10. For 2019 the calculation is:

$$\$463,896 - \$286,156 = \$177,740 / \$6,911 = 25.72$$

$25.72 > 1.10$ Therefore, the rate covenant requirement is met.

The Town passed an ordinance during 2014 to increase rates over the next five years to allow continued compliance with this requirement. Rates were raised in 2015 and again in 2019.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F – TAX, SPENDING AND DEBT LIMITATIONS

In November of 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, and certain election requirements, which apply to the State of Colorado and all local governments. TABOR is complex and subject to interpretation. The Town believes it is in compliance with the provisions of TABOR as it is understood from judicial interpretations, legal opinions and commonly accepted practices. The amendment also requires 3% emergency reserve to be set up on all Town expenditures covered by the amendment. The Town has set this required emergency reserve for all amendment expenditures in the General Fund Balance under Restricted for emergencies.

NOTE G – RISK MANAGEMENT

The Town is one of several local governments which are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by intergovernmental agreement in 1982 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. CIRSA is governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

The Town is self-insured for property and liability insurance. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

CIRSA provides property and casualty insurance coverage to the Town. The coverage is provided through joint self-insurance, insurance and reinsurance, or any combination thereof. CIRSA's rate setting policies are established by the Board of Directors, in consultation with independent actuaries. The Town is subject to a supplemental assessment in the event of deficiencies, and may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect limit CIRSA's per occurrence exposure to \$250,000 for property coverage and \$150,000 for casualty coverage, and provide coverage to specified upper limits.

The Town's 2019 contributions were \$20,955.

Town of Naturita, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE H – INTERFUND BALANCES AND TRANSFERS

The Utility fund owes the General fund \$15,417 for services paid for on behalf of the Utility fund.

No transfers were made in 2019.

NOTE I – DEFINED CONTRIBUTION PLAN

In October 2018 the Town started providing retirement benefits for all full-time employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Under the defined contribution plan, the Town has agreed to pay \$150 per month into the plan for qualifying employees. Employees are eligible to participate in the plan following one year of employment. The plan provides retirement benefits based upon the employee's vested account. A participant becomes 100% vested upon completion of five years of covered service. Amounts forfeited by employees who leave employment before they become fully vested are divided up among the remaining participants in the plan. Under the plan, employees direct the investment of the contributions among several investment options available through an outside plan administrator.

For the year ended December 31, 2019, the Town contributed \$7,200 to the plan.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through June 26, 2020 (date of availability of financial statements for issuance). During 2020 there was a worldwide pandemic from the Coronavirus. It is clear that there will be potential short and long-term effects from local to global economies. It is unclear what these effects will be for the Town at the date of the auditor's report.

SUPPLEMENTARY INFORMATION

Town of Naturita, Colorado

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
UTILITY ENTERPRISE FUND - (NON-GAAP) BUDGET AND ACTUAL

Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 394,000	\$ 394,000	\$ 463,240	\$ 69,240
Grant proceeds	33,050	33,050	-	(33,050)
Other	540	540	656	116
Total revenues	<u>427,590</u>	<u>427,590</u>	<u>463,896</u>	<u>36,306</u>
Expenses				
Personal services	180,968	180,968	82,605	98,363
Operating expenses	95,675	95,675	71,868	23,807
Purchased services	119,150	119,150	120,245	(1,095)
Other services	20,215	20,215	5,124	15,091
Interest and principal	7,000	7,000	6,912	88
Capital outlay	-	-	11,233	(11,233)
Contingency	65,261	65,261	-	65,261
Total expenses	<u>488,269</u>	<u>488,269</u>	<u>297,987</u>	<u>190,282</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ (60,679)</u>	<u>\$ (60,679)</u>	165,909	<u>\$ 226,588</u>
Add: Loan principal			6,056	
Add: Capital asset additions			5,775	
Deduct: Depreciation			<u>(66,312)</u>	
CHANGE IN NET POSITION			<u>\$ 111,428</u>	

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Naturita YEAR ENDING : December 2019
This Information From The Records Of (example - City of _ or County of _) Prepared By: 970-865-2286	

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	0
4. Miscellaneous local receipts (from page 2)	4,086
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	4,086
B. Private Contributions	
C. Receipts from State government (from page 2)	28,944
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	33,030

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	0
2. Maintenance:	7,139
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	171
c. Other	143
d. Total (a. through c.)	314
4. General administration & miscellaneous	
5. Highway law enforcement and safety	52,968
6. Total (1 through 5)	60,421
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	60,421

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		33,030	60,421		(27,391)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:

Colorado

YEAR ENDING (mm/yy):

December 2019

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	4,086
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other	
c. Total (a. + b.)	0	i. Total (a. through h.)	4,086
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	26,435	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	2,509	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	2,509	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	28,944	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
		(Carry forward to page 1)	

Notes and Comments: