

Town of Arriba, Colorado

Financial Statements

For the Year ended December 31, 2020

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Independent Auditors' Report

To the Honorable Mayor and Members of Town Council
Town of Arriba
Arriba, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arriba (the Town) as of and for the year ended December 31, 2020, 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.

Auditors' 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 from 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 auditors' 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, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents 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's basic financial statements. The other supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and the local highway finance report are the responsibility of management and were derived from and relate 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 other supplementary information and the local highway finance report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
July 2, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Arriba, Colorado's annual financial report presents the discussion and analysis of the financial performance for the fiscal year that ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- The Town of Arriba remains in good financial condition.
- The assets of the Town of Arriba exceeded its liabilities and deferred inflows of resources at the close of 2020 by \$1,630,142 (net position). Of this amount \$227,044 or 14% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's total expenses exceeded revenues by \$1,152.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Arriba's basic financial statements. The Town of Arriba's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements.
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

The **statement of net position** presents information on all of the Town of Arriba's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Arriba is improving or deteriorating.

The **statement of activities** presents information showing how the Town of Arriba's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes.)

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities.** Most of the Town's basic services are included here, such as public works, parks, recreation, and general administration. Property tax and intergovernmental revenue finance most of these activities.
- **Business-type activities.** The Town charges fees to customers to recover most of the costs of certain services provided. The Town's water and sewer systems are included here.

The government-wide financial statements can be found starting on page 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law, however, the Town Council has established other funds to help control and manage money for particular purposes or to show that it is properly using certain revenue (the Road and Bridge, Conservation Trust and Museum Funds). All of the funds of the Town of Arriba can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. 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 statement provides a detailed, short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found starting on page 14 of this report.

Proprietary funds. When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found starting on page 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Town has no fiduciary funds to report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arriba, assets exceed liabilities and deferred inflows of resources by \$1,630,142 at the close of 2020.

Net Position

Combined net position of the Town of Arriba as of December 31, 2020 are shown in Table 1 below. The Town did not issue financial statements prepared in accordance with generally accepted accounting principles in the prior year, therefore, a detailed comparison to the prior year is not possible.

Table 1
NET POSITION

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	34,801	267,331	302,132
Capital assets	19,679	1,673,722	1,693,401
Total assets	<u>54,480</u>	<u>1,941,053</u>	<u>1,995,533</u>
Long-term debt outstanding	-	319,833	319,833
Other liabilities	4,472	22,457	26,929
Total liabilities	<u>4,472</u>	<u>342,290</u>	<u>346,762</u>
Deferred inflows of resources	18,629	-	18,629
Net position			
Net investment in capital assets	19,679	1,353,889	1,373,568
Restricted	12,109	17,421	29,530
Unrestricted (deficit)	(409)	227,453	227,044
Total net position	<u>31,379</u>	<u>1,598,763</u>	<u>1,630,142</u>
Total liabilities, deferred inflows and net position	<u>54,480</u>	<u>1,941,053</u>	<u>1,995,533</u>

The largest portion of the Town of Arriba's net position, 84%, reflects its investment in capital assets (land, buildings and equipment). The Town of Arriba uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. In addition, a portion of the Town of Arriba's net position, 2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 14%, may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in net position

The Town's total revenue of \$270,610 was more than program expenses of \$271,762 for a decrease in net position of \$1,152.

Combined changes in net position of the Town of Arriba as of December 31, 2020 are shown in Table 2 below. The Town did not issue financial statements prepared in accordance with generally accepted accounting principles in the prior year, therefore, a detailed comparison to the prior year is not possible.

Table 2
CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Total Primary Government
Program revenues			
Charges for services	115	179,769	179,884
Operating grants	28,440	-	28,440
Capital grants	8,000	14,000	22,000
General revenues			
Property taxes	17,573	-	17,573
Franchise taxes	14,738	-	14,738
Other taxes	1,807	-	1,807
Interest earnings	38	14	52
Miscellaneous	5,921	195	6,116
Transfers	25,000	(25,000)	-
Total revenues	101,632	168,978	270,610
Program expenses			
General government	73,858	-	73,858
Public works	18,985	-	18,985
Culture and recreation	209	-	209
Business-type activities			
Water services	-	90,510	90,510
Sanitation	-	88,200	88,200
Total expenses	93,052	178,710	271,762
Change in net position	8,580	(9,732)	(1,152)
Net position at beginning of year	22,799	1,608,495	1,631,294
Net position at end of year	31,379	1,598,763	1,630,142

Governmental Activities

Revenue for the Town's governmental activities totaled \$101,632 for 2020. Tax revenue produced 34% of these revenues. Tax revenue includes property taxes, sales and other taxes.

Table 3
GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government	\$ 73,858	\$ 65,184
Public works	18,985	(6,781)
Culture and recreation	209	(1,906)

Table 3 presents the cost and revenue of each of the Town’s three largest programs – general government, public works, and culture recreation – as well as each program’s *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

Business-type Activities

Net position in business-type activities decreased by \$9,732 in 2020. Business-type activities include water and sewer services.

**Table 4
BUSINESS-TYPE ACTIVITIES**

	Total Cost of Services		Net Cost of Services
Water services	\$ 90,510	\$	(23,608)
Sewer services	88,200		8,549

Table 4, above, presents the cost and revenue of each of the Town’s business-type activities – water and sewer – as well as the program *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

THE TOWN’S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$11,700. The general fund and other governmental funds reported fund balances of \$653 and \$11,047, respectively.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$51,641 below the final budget amounts due to public works and contingencies not being expended as originally anticipated.

Additionally, resources available for appropriation (revenues) were \$6,374 less than the final budgeted amount. Grant revenues collected were lower than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Arriba’s investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$1,693,401 (net of accumulated depreciation). This amount includes a broad range of capital assets, including public works equipment, water, sewer and other infrastructure.

The Town remains committed to the upkeep and maintenance of the Town’s largest assets. More detailed information about the Town’s capital assets is presented in Table 5.

Table 5
CAPITAL ASSETS ON DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total Primary Government
Land	1,786	-	1,786
Buildings and improvements	3,120	6,111	9,231
Equipment	14,773	44,452	59,225
Systems	-	1,623,159	1,623,159
Total	19,679	1,673,722	1,693,401

Long-term debt. The Town had \$319,833 in debt outstanding at year-end. More detailed information about the Town's long-term debt is presented in Table 6 and Note F to the financial statements.

Table 6
LONG-TERM DEBT ON DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total Primary Government
Notes payable	-	319,833	319,833

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town of Arriba is in a good financial position. The remaining funds' revenues and expenditures may not be consistent with prior years as the Town anticipates a wastewater facility improvement project happening in the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact Town of Arriba, 711 Front Street, P.O. Box 10, Arriba, Colorado 80804.

Basic Financial Statements

The basic financial statements of the Town include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and proprietary funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

TOWN OF ARRIBA, COLORADO
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 42,050	\$ 178,886	\$ 220,936
Cash with county treasurer	239		239
Internal balances	(31,187)	31,187	-
Receivables	23,699	39,837	63,536
Capital assets, net of depreciation	19,679	1,673,722	1,693,401
Restricted cash		17,421	17,421
Total assets	\$ 54,480	\$ 1,941,053	\$ 1,995,533
Liabilities			
Accounts payable	\$ 4,472	\$ 2,852	\$ 7,324
Customer deposits		19,605	19,605
Noncurrent liabilities			
Due within one year		16,833	16,833
Due in more than one year		303,000	303,000
Total liabilities	4,472	342,290	346,762
Deferred inflows of resources			
Deferred property tax revenues	18,629		18,629
Total deferred inflows of resources	18,629	-	18,629
Net position			
Net investment in capital assets	19,679	1,353,889	1,373,568
Restricted for:			
Emergencies	4,600		4,600
Culture and recreation	7,509		7,509
Note reserve		17,421	17,421
Unrestricted (deficit)	(409)	227,453	227,044
Total net position	31,379	1,598,763	1,630,142
Total liabilities, deferred inflows of resources and net position	\$ 54,480	\$ 1,941,053	\$ 1,995,533

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

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TOWN OF ARRIBA, COLORADO
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 73,858	\$ 115	\$ 6,559	\$ 2,000
Public works	18,985		19,766	6,000
Culture and recreation	209		2,115	
Total governmental activities	93,052	115	28,440	8,000
Business-type activities				
Water services	90,510	108,118		6,000
Sewer services	88,200	71,651		8,000
Total business-type activities	178,710	179,769	-	14,000
Total	\$ 271,762	\$ 179,884	\$ 28,440	\$ 22,000
General revenues and transfers				
Taxes				
Property taxes, levied for general purposes				
Franchise taxes				
Other taxes				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as originally reported				
Prior period adjustment				
Net position at beginning of year, as restated				
Net position at end of year				

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (65,184)		\$ (65,184)
6,781		6,781
1,906		1,906
(56,497)	\$ -	(56,497)
	23,608	23,608
	(8,549)	(8,549)
-	15,059	15,059
(56,497)	15,059	(41,438)
17,573		17,573
14,738		14,738
1,807		1,807
38	14	52
5,921	195	6,116
25,000	(25,000)	-
65,077	(24,791)	40,286
8,580	(9,732)	(1,152)
22,799	1,606,152	1,628,951
	2,343	2,343
22,799	1,608,495	1,631,294
\$ 31,379	\$ 1,598,763	\$ 1,630,142

TOWN OF ARRIBA, COLORADO
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	Other Governmental Funds	Total
Assets			
Cash and investments	\$ 31,003	\$ 11,047	\$ 42,050
Cash with county treasurer	239		239
Property taxes receivable	18,629		18,629
Accounts receivable	5,070		5,070
Total assets	\$ 54,941	\$ 11,047	\$ 65,988
Liabilities			
Accounts payable	\$ 4,472		\$ 4,472
Due to other funds	31,187		31,187
Total liabilities	35,659	\$ -	35,659
Deferred inflows of resources			
Deferred property tax revenues	18,629		18,629
Total deferred inflows of resources	18,629	-	18,629
Fund balance			
Restricted for emergencies	4,600		4,600
Restricted to culture and recreation		7,509	7,509
Committed to culture and recreation		3,538	3,538
Unassigned (deficit)	(3,947)		(3,947)
Total fund balance	653	11,047	11,700
Total liabilities, deferred inflows of resources and fund balance	\$ 54,941	\$ 11,047	\$ 65,988

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

TOWN OF ARRIBA, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2020

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

Total fund balance - governmental funds	\$ 11,700
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	<u>19,679</u>
Net position of the governmental activities	<u><u>\$ 31,379</u></u>

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

TOWN OF ARRIBA, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Other Governmental Funds	Total
Revenues			
Taxes	\$ 34,118	\$ 5,200	\$ 39,318
Licenses and permits	115		115
Intergovernmental	23,125	2,065	25,190
Miscellaneous	11,959	50	12,009
Total revenues	69,317	7,315	76,632
Expenditures			
Current			
General government	74,253		74,253
Public works	23,438	5,200	28,638
Total expenditures	97,691	5,200	102,891
Excess of revenues over (under) expenditures	(28,374)	2,115	(26,259)
Other financing sources			
Transfers in	25,000		25,000
Net change in fund balance	(3,374)	2,115	(1,259)
Fund balance at beginning of year	4,027	8,932	12,959
Fund balance at end of year	\$ 653	\$ 11,047	\$ 11,700

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

TOWN OF ARRIBA, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

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

Net change in fund balance - governmental funds	\$ (1,259)
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.

9,839

Change in net position of governmental activities

\$ 8,580

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

TOWN OF ARRIBA, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2020

	Water Fund	Sewer Fund	Total
Assets			
Current assets			
Cash and investments	\$ 67,086	\$ 111,800	\$ 178,886
Due from other funds		31,187	31,187
Accounts receivable	12,214	27,623	39,837
Total current assets	79,300	170,610	249,910
Noncurrent assets			
Buildings and improvements	3,000	11,439	14,439
Equipment	50,653	61,939	112,592
Systems	1,573,737	806,732	2,380,469
Accumulated depreciation	(371,938)	(461,840)	(833,778)
Restricted cash	17,421		17,421
Total noncurrent assets	1,272,873	418,270	1,691,143
Total assets	\$ 1,352,173	\$ 588,880	\$ 1,941,053
Liabilities			
Current liabilities			
Accounts payable	\$ 1,870	\$ 982	\$ 2,852
Customer deposits	19,605		19,605
Current portion of notes payable	16,833		16,833
Total current liabilities	38,308	982	39,290
Long-term liabilities			
Notes payable	303,000		303,000
Total liabilities	341,308	982	342,290
Net position			
Net investment in capital assets	935,619	418,270	1,353,889
Restricted for note reserve	17,421		17,421
Unrestricted	57,825	169,628	227,453
Total net position	1,010,865	587,898	1,598,763
Total liabilities and net position	\$ 1,352,173	\$ 588,880	\$ 1,941,053

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

TOWN OF ARRIBA, COLORADO
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Water Fund	Sewer Fund	Total
Operating revenues			
Charges for services	\$ 108,118	\$ 71,651	\$ 179,769
Operating expenses			
Salaries	27,560	27,560	55,120
Employee insurance	2,861	3,846	6,707
Payroll taxes	2,156	2,156	4,312
Workman's comp	593	790	1,383
Utilities	7,855	3,676	11,531
Repairs and maintenance	5,818	6,181	11,999
Lab fees	662	2,153	2,815
Insurance	2,350	3,134	5,484
Fuel	205	66	271
Contract services	2,145	2,145	4,290
Licenses and permits	92	630	722
Chemicals	473	1,410	1,883
Equipment and parts	2,740		2,740
Miscellaneous	1,675	2,937	4,612
Amortization		12,480	12,480
Depreciation	33,325	18,998	52,323
Total operating expenses	90,510	88,162	178,672
Operating income (loss)	17,608	(16,511)	1,097
Nonoperating revenues (expenses)			
Other revenues	195		195
Interest on investments	5	9	14
Grant revenues	6,000	8,000	14,000
Interest and fiscal charges		(38)	(38)
Total nonoperating revenues (expenses)	6,200	7,971	14,171
Net income (loss) before transfers	23,808	(8,540)	15,268
Transfers out	(12,500)	(12,500)	(25,000)
Change in net position	11,308	(21,040)	(9,732)
Net position at beginning of year, as originally reported	999,557	606,595	1,606,152
Prior period adjustment		2,343	2,343
Net position at beginning of year, as restated	999,557	608,938	1,608,495
Net position at end of year	\$ 1,010,865	\$ 587,898	\$ 1,598,763

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

TOWN OF ARRIBA, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 106,188	\$ 70,787	\$ 176,975
Payments to suppliers	(28,380)	(29,033)	(57,413)
Payments to employees	(27,560)	(27,560)	(55,120)
Net cash provided by operating activities	50,248	14,194	64,442
Cash flows from noncapital financing activities			
Other revenues	195		195
Transfers to other funds	(12,500)	(12,500)	(25,000)
Net cash used by noncapital financing activities	(12,305)	(12,500)	(24,805)
Cash flows from capital and related financing activities			
Grant revenues	6,000	8,000	14,000
Purchase of capital assets	(12,941)	(13,200)	(26,141)
Principal paid on capital debt	(16,833)	(765)	(17,598)
Interest and fiscal charges		(38)	(38)
Net cash used by capital and related financing activities	(23,774)	(6,003)	(29,777)
Cash flows from investing activities			
Interest on investments	5	9	14
Net cash provided by investing activities	5	9	14
Net increase (decrease) in cash and cash equivalents	14,174	(4,300)	9,874
Cash and cash equivalents at beginning of year	70,333	116,100	186,433
Cash and cash equivalents at end of year	\$ 84,507	\$ 111,800	\$ 196,307

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

	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 17,608	\$ (16,511)	\$ 1,097
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Amortization		12,480	12,480
Depreciation	33,325	18,998	52,323
Change in assets and liabilities			
Accounts receivable	470	(864)	(394)
Accounts payable	1,245	91	1,336
Customer deposits	(2,400)		(2,400)
Net cash provided by operating activities	<u>\$ 50,248</u>	<u>\$ 14,194</u>	<u>\$ 64,442</u>
Cash and cash equivalents consists of:			
Cash	\$ 67,086	\$ 111,800	\$ 178,886
Restricted cash	17,421		17,421
Total	<u>\$ 84,507</u>	<u>\$ 111,800</u>	<u>\$ 196,307</u>

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Town of Arriba’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The reporting entity’s financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Town has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Town has no component units.

A.2 – Fund accounting

The Town uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.” The Town does not have any fiduciary funds.

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds), major capital projects (capital projects fund), and the servicing of general long-term debt (debt service fund). The following is the Town’s major governmental fund:

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the Town. It is used to account for most of the day-to-day operations of the Town which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the Town, except for activities of the enterprise funds.

The following are the Town’s nonmajor governmental funds:

Road and Bridge Fund – This special revenue fund records costs related to the Town’s road and bridge construction and maintenance. A portion of road and bridge taxes is allocated to cities and towns by counties for use in their road and street activities.

Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

Museum Fund – This fund is a special revenue fund established to account for revenues related to the operation of the museum and related expenditures.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Town’s major proprietary funds:

Water Fund – This fund was established to account for all operations of the water utility services provided by the Town.

Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the Town.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund financial statements – Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary also use the accrual basis of accounting.

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrances outstanding at year-end are considered immaterial and thus are not reported as reservations of fund balance.

A.6 – Cash and cash equivalents

For the purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.7 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.8 – Receivables

Monthly charges for water services are included with monthly utility billings. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

A.9 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized on a prospective basis beginning in 2004.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings and improvements	20-40 years	20-40 years
Equipment	5-25 years	5-20 years
Systems	10-50 years	10-50 years

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

A.12 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are service charges for electric, water, sewer and sanitation utility services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Town council and that are either unusual in nature or infrequent in occurrence. The Town had no transactions that qualify as extraordinary or special items during the year.

TOWN OF ARRIBA
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.15 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

- *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
- *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council (the Town's highest level of decision-making authority),
- *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
- *Unassigned* fund balance is the residual classification for the Town's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the members of town council through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the Town applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

TOWN OF ARRIBA
Notes to Financial Statements

Note B – Cash and deposits

Cash and deposits

Colorado State statutes govern the Town's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of year-end, the Town had total deposits of \$244,440, which were insured in their entirety.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the Town's own investment policies and procedures. Investments of the Town may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the Town's did not hold any investments.

TOWN OF ARRIBA
Notes to Financial Statements

Note C – Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Sewer Fund	General Fund	<u>\$ 31,187</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 12,500
General Fund	Sewer Fund	<u>12,500</u>
Total		<u>\$ 25,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The City annually transfers funds from the Water and Sewer Funds to provide support to the General Fund.

Note D – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Property taxes	\$ 18,629	\$ -	\$ 18,629
Utility billings	-	39,837	39,837
Other receivables	<u>5,070</u>	<u>-</u>	<u>5,070</u>
Total	<u>\$ 23,699</u>	<u>\$ 39,837</u>	<u>\$ 63,536</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Lincoln County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the Town in the subsequent month.

TOWN OF ARRIBA
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,786	\$ -	\$ -	\$ 1,786
Total capital assets, not being depreciated	1,786	-	-	1,786
Capital assets, being depreciated:				
Buildings and improvements	9,963	-	-	9,963
Equipment	<u>125,788</u>	<u>11,900</u>	<u>-</u>	<u>137,688</u>
Total capital assets, being depreciated	<u>135,751</u>	<u>11,900</u>	<u>-</u>	<u>147,651</u>
Total capital assets	137,537	11,900	-	149,437
Less accumulated depreciation for:				
Buildings and improvements	(6,599)	(244)	-	(6,843)
Equipment	<u>(121,098)</u>	<u>(1,817)</u>	<u>-</u>	<u>(122,915)</u>
Total accumulated depreciation	<u>(127,697)</u>	<u>(2,061)</u>	<u>-</u>	<u>(129,758)</u>
Governmental activities capital assets, net	<u>\$ 9,840</u>	<u>\$ 9,839</u>	<u>\$ -</u>	<u>\$ 19,679</u>
 Business-type activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 12,480	\$ -	\$ (12,480)	\$ -
Total capital assets, not being depreciated	12,480	-	(12,480)	-

TOWN OF ARRIBA
Notes to Financial Statements

Note E – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Buildings and improvements	14,439	-	-	14,439
Equipment	86,451	26,141	-	112,592
Systems	<u>2,380,469</u>	<u>-</u>	<u>-</u>	<u>2,380,469</u>
Total capital assets, being depreciated	<u>2,481,359</u>	<u>26,141</u>	<u>-</u>	<u>2,507,500</u>
Total capital assets	2,493,839	26,141	(12,480)	2,507,500
Less accumulated depreciation for:				
Buildings and improvements	(8,009)	(319)	-	(8,328)
Equipment	(63,853)	(4,287)	-	(68,140)
Systems	<u>(709,593)</u>	<u>(47,717)</u>	<u>-</u>	<u>(757,310)</u>
Total accumulated depreciation	<u>(781,455)</u>	<u>(52,323)</u>	<u>-</u>	<u>(833,778)</u>
Business-type activities capital assets, net	<u>\$ 1,712,384</u>	<u>\$ (26,182)</u>	<u>\$ (12,480)</u>	<u>\$ 1,673,722</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 1,605
Public works	209
Culture and recreation	<u>247</u>
Total governmental activities	2,061
Business-type activities	
Water	33,325
Sewer	<u>18,998</u>
Total business-type activities	<u>52,323</u>
Total depreciation expense	<u>\$ 54,384</u>

TOWN OF ARRIBA
Notes to Financial Statements

Note F – Long-term debt

The following is a summary of the changes in long-term debt for the year:

Business-type	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Notes from direct borrowings	\$ 337,431	\$ -	\$ (17,598)	\$ 319,833	\$ 16,833

Notes payable

The Town entered into a \$505,000 note agreement with the Colorado Water Resources and Power Development Authority (the Authority) dated May 29, 2009, due in semi-annual installments of \$8,417 through 2039. The interest rate for the agreement is 0.000%. The agreement provides for the disbursement of funds at the Town’s request to facilitate the installation of a new storage standpipe, rerouting the existing wells to the new standpipe, upgrading the existing distribution system by looping dead-end lines, and improving disinfection.

The loan agreement contains various covenants including the establishment and maintenance of an operations and maintenance reserve fund in an amount equal to three months of operation and maintenance expenses for the current fiscal year. Based on the current year information, three months of operations and maintenance expenses totaled \$17,421, which has been reported as “restricted cash” in the Water Fund. The Town must also maintain water rates, fees and other charges that will cover operation and maintenance expenses and at least 110% of debt service for the calendar year. The Town believes it is in compliance with the covenants as set forth in the loan agreement.

The following schedule represents the Town’s debt service requirements to maturity for the outstanding long-term debt at year-end:

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 16,833	\$ -
2022	16,833	-
2023	16,833	-
2024	16,833	-
2025	16,833	-
2026-2030	84,167	-
2031-2035	84,167	-
2036-2039	<u>67,334</u>	<u>-</u>
Totals	<u>\$ 319,833</u>	<u>\$ -</u>

TOWN OF ARRIBA
Notes to Financial Statements

Note G – Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA/PC) and the Colorado Intergovernmental Risk Sharing Agency for Worker's Compensation (CIRSA/WC). CIRSA/PC and CIRSA/WC provide member municipalities within the State of Colorado, property, liability and workmen's compensation coverages and related services. CIRSA's general objectives are to provide member municipalities defined property and liability and/or worker's compensation coverages through self-insurance and excess insurance purchased from commercial companies. The Town pays an annual contribution to CIRSA for its insurance coverages. For the year ended, the Town's financial contribution to CIRSA/PC and CIRSA/WC was \$7,835 and \$1,975, respectively. Settled claims resulting from any of the above risks have not exceeded the coverages provided. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H – Commitments and contingencies

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate. In April 1998, the voters of the Town approved a ballot initiative permitting the Town to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation.

The Town believes it is in compliance with the requirements of TABOR. However, the Town has made certain interpretations of TABOR's language in order to determine its compliance. TABOR requires an emergency reserve to be set aside in the amount of 3% or more of its fiscal year spending for 1995 and subsequent years thereafter. At year-end, the Town has reserved funds in the General Fund in the amount of \$4,600 for the emergency reserve.

TOWN OF ARRIBA
Notes to Financial Statements

Note I - Prior period adjustment

The Town made an error in reporting its note balances in the prior year, resulting in a restatement of the beginning net position in the Water Fund and the Business-Type Activities in the amount of \$2,343.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

TOWN OF ARRIBA, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 36,052	\$ 35,581	\$ 34,118	\$ (1,463)
Licenses and permits			115	115
Intergovernmental	16,170	18,200	23,125	4,925
Miscellaneous	7,933	21,910	11,959	(9,951)
Total revenues	60,155	75,691	69,317	(6,374)
Expenditures				
Current				
General government	71,508	62,267	74,253	(11,986)
Public works	26,500	46,794	23,438	23,356
Contingency reserve	18,310	35,271		35,271
Total expenditures	116,318	144,332	97,691	46,641
Excess of revenues over (under) expenditures	(56,163)	(68,641)	(28,374)	40,267
Other financing sources (uses)				
Transfers in	16,000	16,000	25,000	9,000
Transfers out	(5,000)	(5,000)		5,000
Total other financing sources (uses)	11,000	11,000	25,000	14,000
Net change in fund balance	\$ (45,163)	\$ (57,641)	(3,374)	\$ 54,267
Fund balance at beginning of year			4,027	
Fund balance at end of year			\$ 653	

TOWN OF ARRIBA, COLORADO
Notes to the Required Supplementary Information

Note A – Budgetary data

Annual budgets are established for all funds of the Town as required by state budget laws. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise and internal service funds in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

An appropriated budget for the entity as a whole is prepared on a detailed basis. Revenues are budgeted by source. Expenditures are budgeted by department and the major divisions thereof and by each independent office and agency and by the principal objects of expenditure. The legal level of control is considered to be the entity as a whole and expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by Town council. Within these control levels, management may transfer appropriations without Town council approval. Revisions to the budget were made during the year.

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

- On or before September 20th of each year, or in conformity with the general state law, the Town clerk submits to the Town council a budget which shall be a complete financial plan for the ensuing fiscal year.
- At the same time the budget is submitted, the Town manager shall also prepare an appropriation ordinance making a levy in mills upon all taxable property within the Town for the ensuing fiscal year.
- A public hearing on the budget shall be held by Town council two weeks after its submission. Notice of the time and place of said hearing shall be published within three days after the submission of the budget.
- Prior to December 15th, or in conformity with the general state law, the Town council shall adopt the budget and the tax levy ordinance.
- Any portion of any annual appropriation remaining unexpended and unencumbered at the close of the budget year shall be declared surplus and included in the budget for the ensuing year as those appropriations lapse at year-end.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – General Fund Revenues and Expenditures
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Proprietary Funds

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Budgetary Comparison Schedules – General Fund

The General Fund accounts for all transactions of the Town not required to be accounted for in other funds. This fund represents an accounting of the Town's ordinary operations financed primarily from tax dollars and intergovernmental aid. It is the most significant fund in relation to the Town's overall operations. The budgetary comparison schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

TOWN OF ARRIBA, COLORADO
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Property taxes	\$ 17,637	\$ 17,637	\$ 17,573	\$ (64)
Specific ownership taxes	1,490	1,500	1,743	243
Penalties and interest on taxes	125	44	64	20
Franchise taxes	16,800	16,400	14,738	(1,662)
Total taxes	36,052	35,581	34,118	(1,463)
Licenses and permits			115	115
Intergovernmental				
Motor vehicle assessments	1,100	2,600	1,282	(1,318)
Cigarette tax	70	1,200	294	(906)
Highway users tax	15,000	14,400	12,990	(1,410)
Coronavirus relief funds			8,559	8,559
Total intergovernmental	16,170	18,200	23,125	4,925
Miscellaneous				
Interest on investments	25	25	38	13
Machine rental	500		200	200
Senior citizens program	908	538	538	-
Refunds	500	59	970	911
Grants		20,000	6,000	(14,000)
Miscellaneous	6,000	1,288	4,213	2,925
Total miscellaneous	7,933	21,910	11,959	(9,951)
Total revenues	\$ 60,155	\$ 75,691	\$ 69,317	\$ (6,374)

TOWN OF ARRIBA, COLORADO
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
General government				
Salaries	\$ 18,200	\$ 19,800	\$ 23,934	\$ (4,134)
Payroll taxes	1,500	800	1,701	(901)
Employee retirement	1,080	1,080	5,775	(4,695)
Employee insurance	3,600	3,585	5,656	(2,071)
Municipal attorney	5,000	200		200
Municipal judge	1,000			-
Utilities	16,000	15,153	8,080	7,073
Telephone	3,500	3,372	3,416	(44)
Insurance	3,000	2,500	2,500	-
Workman's compensation	800	658	658	-
Office supplies	2,500	2,000	2,029	(29)
Professional fees	3,000	2,650	3,134	(484)
Dues	1,500	1,200	1,521	(321)
LCEDC	1,592	1,584	1,584	-
Senior citizens program	1,816	1,071	1,074	(3)
County treasurer fees	600	332	353	(21)
Board meetings	420	420		420
Town celebrations	650	650	527	123
Donations	250			-
Elections	2,000	668	668	-
Miscellaneous	3,500	4,544	9,643	(5,099)
Capital outlay			2,000	(2,000)
Total general government	71,508	62,267	74,253	(11,986)
Public works				
Contract labor	200			-
Fuel	1,500	500	877	(377)
Repairs and maintenance	6,000	9,279	7,530	1,749
Supplies	3,800	4,015	5,131	(1,116)
Capital outlay	15,000	33,000	9,900	23,100
Total public works	26,500	46,794	23,438	23,356
Contingency reserve	18,310	35,271		35,271
Total expenditures	\$ 116,318	\$ 144,332	\$ 97,691	\$ 46,641

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Budgetary Comparison Schedules – Nonmajor Governmental Funds

The Town reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Road and Bridge Fund – This special revenue fund records costs related to the Town’s road and bridge construction and maintenance. A portion of road and bridge taxes is allocated to cities and towns by counties for use in their road and street activities.
- Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.
- Museum Fund – This fund is a special revenue fund established to account for revenues related to the operation of the museum and related expenditures.

TOWN OF ARRIBA, COLORADO
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	<u>Road and Bridge Fund</u>	<u>Conservation Trust Fund</u>	<u>Museum Fund</u>	<u>Total</u>
Assets				
Cash and investments	\$ -	\$ 7,509	\$ 3,538	\$ 11,047
Total assets	<u>\$ -</u>	<u>\$ 7,509</u>	<u>\$ 3,538</u>	<u>\$ 11,047</u>
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balance				
Restricted for culture and recreation		7,509		7,509
Committed to culture and recreation			3,538	3,538
Total fund balance	<u>-</u>	<u>7,509</u>	<u>3,538</u>	<u>11,047</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 7,509</u>	<u>\$ 3,538</u>	<u>\$ 11,047</u>

TOWN OF ARRIBA, COLORADO
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2020

	Road and Bridge Fund	Conservation Trust Fund	Museum Fund	Total
Revenues				
Taxes	\$ 5,200			\$ 5,200
Intergovernmental revenue		\$ 2,065		2,065
Miscellaneous			\$ 50	50
Total revenues	5,200	2,065	50	7,315
Expenditures				
Highways and streets	5,200			5,200
Total expenditures	5,200	-	-	5,200
Net change in fund balance	-	2,065	50	2,115
Fund balance at beginning of year	-	5,444	3,488	8,932
Fund balance at end of year	\$ -	\$ 7,509	\$ 3,538	\$ 11,047

TOWN OF ARRIBA, COLORADO
Road and Bridge Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Road and bridge taxes	\$ -	\$ -	\$ 5,200	\$ 5,200
Total revenues	-	-	5,200	5,200
Expenditures				
Highways and streets				
Repairs and maintenance			724	(724)
Utilities			4,476	(4,476)
Total expenditures	-	-	5,200	(5,200)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

TOWN OF ARRIBA, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental				
State lottery proceeds	\$ 2,000	\$ 2,000	\$ 2,065	\$ 65
Expenditures				
Culture and recreation				
Repairs and maintenance	500	500		500
Capital outlay	3,800	3,800		3,800
Contingency reserve	2,957	2,957		2,957
Total expenditures	7,257	7,257	-	7,257
Net change in fund balance	\$ (5,257)	\$ (5,257)	2,065	\$ 7,322
Fund balance at beginning of year			5,444	
Fund balance at end of year			\$ 7,509	

TOWN OF ARRIBA, COLORADO
Museum Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Miscellaneous Contributions	\$ 100	\$ 100	\$ 50	\$ (50)
Expenditures				
Culture and recreation				
Miscellaneous	300	300		300
Contingency reserve	3,206	3,206		3,206
Total expenditures	3,506	3,506	-	3,506
Net change in fund balance	\$ (3,406)	\$ (3,406)	50	\$ 3,456
Fund balance at beginning of year			3,488	
Fund balance at end of year			\$ 3,538	

Budgetary Comparison Schedules – Proprietary Funds

The Town reports the following major proprietary funds:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Water Fund – This fund was established to account for all operations of the water utility services provided by the Town.
- Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the Town.

TOWN OF ARRIBA, COLORADO
Water Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 111,000	\$ 112,000	\$ 108,118	\$ (3,882)
Operating expenses				
Salaries	18,200	19,800	27,560	(7,760)
Employee retirement	1,080	3,585		3,585
Employee insurance	3,600	5,000	2,861	2,139
Payroll taxes	1,500	593	2,156	(1,563)
Workman's comp	730	1,080	593	487
Utilities	7,500	2,350	7,855	(5,505)
Repairs and maintenance	5,500	2,000	5,818	(3,818)
Lab fees	2,000	1,200	662	538
Insurance	2,400	7,500	2,350	5,150
Fuel	1,500	200	205	(5)
Contract services	2,340	2,340	2,145	195
Licenses and permits	1,000	800	92	708
Chemicals	500	300	473	(173)
Miscellaneous	6,575	2,312	1,675	637
Equipment and parts			2,740	(2,740)
Capital outlay	500	500	12,941	(12,441)
Contingency reserve	82,572	127,854		127,854
Total operating expenses	137,497	177,414	70,126	107,288
Operating income (loss)	(26,497)	(65,414)	37,992	103,406
Nonoperating revenues (expenses)				
Other revenues	701	200	195	(5)
Interest on investments	3	3	5	2
Grant revenues			6,000	6,000
Principal paid on long-term debt	(16,863)	(16,863)	(16,833)	(30)
Total nonoperating revenues (expenses)	(16,159)	(16,660)	(10,633)	6,027
Net income (loss) before transfers	(42,656)	(82,074)	27,359	109,433
Transfers out	(5,000)		(12,500)	(12,500)
Change in net position	\$ (47,656)	\$ (82,074)	14,859	\$ 96,933

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Adjustments to GAAP Basis				
Add capital outlay			12,941	
Add principal on long-term debt			16,833	
Deduct depreciation			<u>(33,325)</u>	
Change in net position - GAAP Basis			11,308	
Net position at beginning of year			<u>999,557</u>	
Net position at end of year			<u><u>\$ 1,010,865</u></u>	

TOWN OF ARRIBA, COLORADO
Sewer Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 65,000	\$ 73,000	\$ 71,651	\$ (1,349)
Operating expenses				
Salaries	24,200	26,347	27,560	(1,213)
Employee retirement	1,440	4,780		4,780
Employee insurance	4,800	3,134	3,846	(712)
Payroll taxes	2,000	790	2,156	(1,366)
Workman's comp	1,000	1,440	790	650
Utilities	9,000	40,000	3,676	36,324
Repairs and maintenance	15,000	200	6,181	(5,981)
Lab fees	3,000		2,153	(2,153)
Insurance	3,000	4,200	3,134	1,066
Fuel	2,000	555	66	489
Contract services	2,340	2,340	2,145	195
Licenses and permits	825	3,300	630	2,670
Chemicals	1,800		1,410	(1,410)
Miscellaneous	2,375	750	2,937	(2,187)
Capital outlay	9,700	5,000	13,200	(8,200)
Contingency reserve	61,953	88,134		88,134
Total operating expenses	144,433	180,970	69,884	111,086
Operating income (loss)	(79,433)	(107,970)	1,767	109,737
Nonoperating revenues (expenses)				
Other revenues	700			-
Interest on investments	6	6	9	3
Grant revenues			8,000	8,000
Principal paid on long-term debt	(3,020)	(765)	(765)	-
Interest and fiscal charges	(189)	(38)	(38)	-
Total nonoperating revenues (expenses)	(2,503)	(797)	7,206	8,003
Net income (loss) before transfers	(81,936)	(108,767)	8,973	117,740
Transfers out	(6,000)	(700)	(12,500)	(11,800)
Change in net position	\$ (87,936)	\$ (109,467)	(3,527)	\$ 105,940

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Adjustments to GAAP Basis				
Add capital outlay			13,200	
Add principal on long-term debt			765	
Amortization of engineering fees			(12,480)	
Deduct depreciation			(18,998)	
Change in net position - GAAP Basis			(21,040)	
Net position at beginning of year, as originally reported			606,595	
Prior period adjustment			2,343	
Net position at beginning of year, as restated			608,938	
Net position at end of year			\$ 587,898	

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**Colorado Department of Highways
Local Highway Finance Report**

This calendar-year report of receipts and expenditures is required by the Colorado Department of Highways to maintain Statewide accountability for moneys used for highway and street purposes. To ensure data accuracy, House Bill 1008 mandates that this report be included in the Town's financial statements.

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: Arriba
YEAR ENDING : December 2020	
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Josie Hart Phone: 719-768-3381

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		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	4,500
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	300
3. Other local imposts (from page 2)	6,971	c. Other	9,000
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	9,300
5. Transfers from toll facilities		4. General administration & miscellaneous	200
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	14,000
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	6,971	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	14,593	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	21,564	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)	14,000

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
	101,768	21,564	14,000	109,332	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2020

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	
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	6,971	g. Other Misc. Receipts	
6. Total (1. through 5.)	6,971	h. Other	
c. Total (a. + b.)	6,971	i. Total (a. through h.)	0
	(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	13,336	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	1,257	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.)	1,257	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	14,593	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.I. 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: