

TOWN OF NATURITA, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2021

TOWN OF NATURITA, COLORADO
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December 31, 2021

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TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

This management's discussion and analysis (MD&A) of the Town of Naturita financial statements provides an overview of the Town's financial activities for the fiscal year ended December 31, 2021. 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
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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 2020 and 2021.

	2020			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 791,490	\$ 710,771	\$ 1,502,261	\$ 1,205,812	\$ 695,741	\$ 1,901,553
Capital assets	1,361,530	1,293,083	2,654,613	1,337,435	1,265,026	2,602,461
Total assets	2,153,020	2,003,854	4,156,874	2,543,247	1,960,767	4,504,014
Long-term liabilities	-	74,901	74,901	-	68,724	68,724
Other liabilities	21,083	45,297	66,380	75,307	48,123	123,430
Deferred Inflows	44,534	-	44,534	51,683	-	51,683
Total liabilities/deferred Inflows	65,617	120,198	185,815	126,990	116,847	243,837
Net Position:						
Net Investment in capital assets	1,361,530	1,218,182	2,579,712	1,337,435	1,196,302	2,533,737
Restricted for marketing & promotion	50,062	-	50,062	49,871	-	49,871
Restricted for emergencies	54,195	-	54,195	60,448	-	60,448
Unrestricted	621,616	665,474	1,287,090	968,503	644,125	1,612,628
Total net position	\$ 2,087,403	\$ 1,883,656	\$ 3,971,059	\$ 2,416,257	\$ 1,840,427	\$ 4,256,684

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, 2021

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 2020 and 2021.

	2020			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Program revenues:						
Charges for Services	\$ 20,748	\$ 500,680	\$ 521,428	\$ 25,509	\$ 472,734	\$ 498,243
Grants and Contributions	37,767	-	37,767	214,611	-	214,611
General revenues:						
Taxes	591,403	-	591,403	659,154	-	659,154
Interest, other revenue, transfers	354	1,291	1,645	423	100	523
Total revenues	650,272	501,971	1,152,243	899,697	472,834	1,372,531
EXPENSES:						
General government	209,588	-	209,588	181,865	-	181,865
Public Safety	71,871	-	71,871	83,496	-	83,496
Public Works	115,651	-	115,651	250,626	-	250,626
Culture and recreation	46,026	-	46,026	54,856	-	54,856
Utility operations	-	395,599	395,599	-	516,063	516,063
Total expenses	443,136	395,599	838,735	570,843	516,063	1,086,906
Increase (decrease) in net position	207,136	106,372	313,508	328,854	(43,229)	285,625
Net position January 1	1,880,267	1,777,284	3,657,551	2,087,403	1,883,656	3,971,059
Net position December 31	\$ 2,087,403	\$ 1,883,656	\$3,971,059	\$ 2,416,257	\$ 1,840,427	\$4,256,684

The Town operated at an increase in net position for governmental activities in 2020 and 2021; the primary increases were due to increased sales tax and marijuana tax, and grants.

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 reported an increase in net position for business-type activities in 2020, and a decrease in 2021. 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, 2021

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 December 31, 2021, governmental fund balances were increased by \$352,950. This is due to a \$249,425 revenue increase compared to 2020, but only a \$127,707 increase in 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 2021. Much of the Town's activities during 2021 were driven by designing and planning the Town Park renovation, a grass roots effort to develop another recreation area known as Little Nature Park, applying for grants, remodeling Town Hall, and coping with the sudden death of our Public Works Director. We organized and completed an Adventure Course Community Build Playground at the Park through KaBOOM! in October. The Town spent considerable time and effort with the other two neighboring towns to apply for the coal-affected communities share of the Just Transition money. We also saw an increase in building permits as well as renewed interest in commercial properties along Main Street. We purchased a new riding lawn mower for the park and a used small snowplow blade for the 4-wheeler. We hired an intern through the High School Senior work program, and he worked part time doing all the Public Works odd jobs. 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 \$875,917 were less than budget expectations of \$965,882 by \$89,965 primarily because of anticipated grants were delayed.

General Fund Charges to Appropriations (Outflows)

The Town's final actual expenditures of \$529,030 were \$404,053 less than the final appropriated balance of \$933,083. The main culprit was a delayed GOCO Grant for the park because we combined a Federal Land Water Conservation Fund perimeter trail grant that required many hoops to jump through. We had to delay construction.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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 2021. Due to the Cease and Desist Order from CDPHE in 2020, the Town revised our Preliminary Engineering Report to begin the process of revamping our lagoon system and replacing the antiquated sewer collection system. We engaged with USDA to begin applying for a loan-grant combination to handle this \$7.7 million dollar project. Many hours were spent deciding what kind of lagoon system was needed and of course within the means and ability of the Town to practically operate. We hired a consultant to help with the sample reporting as well as navigate the Cease and Desist Order. We installed 2 new aerators and rebuilt one in the sewer ponds. We purchased many new radio read water meters and installed them in the pits that were the easiest to work on, and eventually the whole town will have them. We were awarded a DOLA Community Development Block Grant to replace some main water lines, add a looping system and 3 new fire hydrants. Three easements were required for this project and our engineers and attorney were very busy acquiring these. We devoted many hours getting this project ready to go out to bid in 2022.

Utility Fund Resources (Inflows)

The Town's final actual revenues in the amount of \$472,834 were under budget expectations of \$1,118,583 by \$645,749 due to a delay in CDBG Grant funding for a major water line replacement.

Utility Fund Charges to Appropriations (Outflows)

The Town's final actual budgetary basis expenditures of \$494,184 were \$613,938 less than the final appropriated budget of \$1,108,122. This is due to construction being delayed on the major water line replacement, and trying to build our fund for a new waste water lagoon system and collection main lines.

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 2020 or 2021.

Conservation Trust Fund Resources (Inflows)

The Town's final actual revenues in the amount of \$6,253 were slightly over budget expectations of \$6,037.

Conservation Trust Fund Charges to Appropriations (Outflows)

The Town's final expenditures of \$-0- were \$32,000 less than the final appropriated balance of \$32,000 due to the delay in the GOCO grant.

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 2021.

TOWN OF NATURITA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Lodging Tax Fund Resources (Inflows)

The Town's final actual revenue in the amount of \$17,527 was higher than budget expectations of \$13,052 by \$4,475 due to road construction crews staying in town.

Lodging Tax Fund Charges to Appropriations (Outflows)

The Town's final expenditures of \$17,717 were \$4,717 more than the final appropriated balance of \$13,000 due to a missed budget line item for the Visitor's Center funding.

CAPITAL ASSETS

At the end of 2021, the Town had a total of \$1,337,435 net investment in capital assets of governmental activities. The amount of capital assets for business-type activities totaled \$1,265,026 after accumulated depreciation, a decrease of \$28,057 over 2020. There were no retirements in 2020 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, 2021 was \$68,724. *See Note E, Long-term Liabilities.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The General Fund 2022 Budget anticipates that revenues will increase as the Town progresses on grant-funded projects. Sales tax continues to increase due to construction and tourists in the area.

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: thnnaturita@nntewireless.com

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Certified Public Accountants

Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401

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Independent Auditor's Report

To the Mayor and Board of Trustees
Town of Naturita, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Naturita, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Naturita's basic financial statements as listed in the table of contents.

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, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Naturita's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Naturita's basic financial statements. The Utility Enterprise budgetary comparison schedule and the Highway Users 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Hamblin and Associates, LLC

Golden, Colorado
June 22, 2022

FINANCIAL STATEMENTS

TOWN OF NATURITA, COLORADO

STATEMENT OF NET POSITION

December 31, 2021

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 1,072,124	\$ 699,001	\$ 1,771,125
Receivables:			
Accounts	11,438	46,057	57,495
Property taxes	51,683	-	51,683
Intergovernmental	21,250	-	21,250
Internal balances	49,317	(49,317)	-
Total Current Assets	1,205,812	695,741	1,901,553
Capital assets (net of accumulated depreciation):			
Total Noncurrent Assets	1,337,435	1,265,026	2,602,461
Total Assets	2,543,247	1,960,767	4,504,014
LIABILITIES			
Current Liabilities			
Accounts payable	8,448	3,493	11,941
Unearned revenue	66,859	-	66,859
Customer deposits	-	48,123	48,123
Total current liabilities	75,307	51,616	126,923
Long-term liabilities:			
Note payable due within one year	-	6,239	6,239
Note payable due after one year	-	62,485	62,485
Total long-term liabilities	-	68,724	68,724
Total Liabilities	75,307	120,340	195,647
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	51,683	-	51,683
Total deferred inflows of resources	51,683	-	51,683
NET POSITION			
Net investment in capital assets	1,337,435	1,196,302	2,533,737
Restricted for marketing and promotion	49,871	-	49,871
Restricted for emergency reserves	60,448	-	60,448
Unrestricted	968,503	644,125	1,612,628
Total Net Position	\$ 2,416,257	\$ 1,840,427	\$ 4,256,684

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

TOWN OF NATURITA, COLORADO

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES
Functions/Programs						
Governmental activities						
General government	\$ 181,865	\$ 13,852	\$ -	\$ -	\$ (168,013)	\$ (168,013)
Public safety	83,496	7,714	-	-	(75,782)	(75,782)
Public works	92,793	-	-	-	(92,793)	(92,793)
Culture and recreation	54,856	3,943	6,219	208,392	163,698	163,698
Capital outlay	157,833	-	-	-	(157,833)	(157,833)
Total governmental activities	570,843	25,509	6,219	208,392	(330,723)	(330,723)
Business-type activities						
Utility fund	516,063	472,734	-	-	-	(43,329)
Total government	\$ 1,086,906	\$ 498,243	\$ 6,219	\$ 208,392	\$ (330,723)	\$ (374,052)
GENERAL REVENUES:						
Property taxes					42,194	42,194
Other taxes					616,960	616,960
Investment earnings					423	523
Total general revenues					659,577	659,677
Change in net position					328,854	285,625
Net position - Beginning of Year					2,087,403	3,971,059
Net position - End of Year					\$ 2,416,257	\$ 4,256,684

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

TOWN OF NATURITA, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Lodging Tax Fund	Conservation Trust Fund	Total
ASSETS				
Cash and investments	\$ 961,805	\$ 49,871	\$ 60,448	\$ 1,072,124
Due from other funds	49,317	-	-	49,317
Property taxes receivable	51,683	-	-	51,683
Accounts receivable	11,438	-	-	11,438
Intergovernmental receivable	21,250	-	-	21,250
TOTAL ASSETS	<u>1,095,493</u>	<u>49,871</u>	<u>60,448</u>	<u>1,205,812</u>
LIABILITIES				
Accounts payable	8,448	-	-	8,448
Unearned revenue	66,859	-	-	66,859
TOTAL LIABILITIES	<u>75,307</u>	<u>-</u>	<u>-</u>	<u>75,307</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	51,683	-	-	51,683
FUND BALANCES				
Restricted for marketing and promotion	-	49,871	-	49,871
Restricted for conservation	-	-	60,448	60,448
Restricted for emergencies	16,400	-	-	16,400
Unassigned	952,103	-	-	952,103
TOTAL FUND BALANCE	<u>968,503</u>	<u>49,871</u>	<u>60,448</u>	<u>1,078,822</u>
TOTAL LIABILITIES, and DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,095,493</u>	<u>\$ 49,871</u>	<u>\$ 60,448</u>	<u>\$ 1,205,812</u>
Total fund balance per above				\$ 1,078,822
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:				
Capital Assets				1,881,421
Accumulated Depreciation				(543,986)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES				<u>\$ 2,416,257</u>

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

TOWN OF NATURITA, COLORADO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Lodging Tax Fund	Conservation Trust Fund	Total
Revenues				
Taxes				
General property	\$ 42,194	\$ -	\$ -	\$ 42,194
Specific ownership	6,897	-	-	6,897
Sales and use	559,405	15,997	-	575,402
Severance	426	-	-	426
Licenses and permits	9,973	-	-	9,973
Intergovernmental	28,016	-	6,219	34,235
Grants	216,990	1,500	-	218,490
Fines and forfeitures	7,714	-	-	7,714
Interest	423	-	-	423
Miscellaneous	3,879	30	34	3,943
Total revenues	<u>875,917</u>	<u>17,527</u>	<u>6,253</u>	<u>899,697</u>
Expenditures				
Current				
General government	177,391	17,717	-	195,108
Public safety	88,912	-	-	88,912
Public works	48,857	-	-	48,857
Culture and recreation	56,037	-	-	56,037
Capital outlay	157,833	-	-	157,833
Total expenditures	<u>529,030</u>	<u>17,717</u>	<u>-</u>	<u>546,747</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	346,887	(190)	6,253	352,950
FUND BALANCES - Beginning	<u>621,616</u>	<u>50,062</u>	<u>54,195</u>	<u>725,873</u>
FUND BALANCES - Ending	<u><u>968,503</u></u>	<u><u>\$ 49,872</u></u>	<u><u>\$ 60,448</u></u>	<u><u>\$ 1,078,823</u></u>

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

Net change in fund balances per above	352,950
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.	
Capitalized assets	26,398
Depreciation expense	<u>(50,493)</u>
Change in net position of governmental activities	<u><u>328,854</u></u>

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

TOWN OF NATURITA, COLORADO

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

For the Year Ended December 31, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Revenues				
Taxes				
General property	54,000	54,000	42,194	\$ (11,806)
Specific ownership	6,200	6,200	6,897	697
Sales and use	479,056	479,056	559,405	80,349
Severance	2,900	2,900	426	(2,474)
Licenses and permits	8,770	8,770	9,973	1,203
Intergovernmental	20,600	20,600	28,016	7,416
Grants	390,000	390,000	216,990	(173,010)
Fines and forfeitures	3,350	3,350	7,714	4,364
Interest	63	63	423	360
Miscellaneous	943	943	3,879	2,936
Total revenues	<u>965,882</u>	<u>965,882</u>	<u>875,917</u>	<u>(89,965)</u>
Expenditures				
Current				
General government	153,363	153,363	177,391	(24,028)
Public safety	69,468	69,468	88,912	(19,444)
Public works	120,350	120,350	48,857	71,493
Culture and recreation	466,065	466,065	56,037	410,028
Grants	40,000	40,000	-	40,000
Capital improvement	83,837	83,837	157,833	(73,996)
Total expenditures	<u>933,083</u>	<u>933,083</u>	<u>529,030</u>	<u>404,053</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,799	32,799	346,887	(494,018)
Fund Balances - Beginning of Year	<u>621,616</u>	<u>621,616</u>	<u>621,616</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 654,415</u>	<u>\$ 654,415</u>	<u>\$ 968,503</u>	<u>\$ (494,018)</u>

See the accompanying Independent Auditor's Report.

TOWN OF NATURITA, COLORADO

LODGING TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
BUDGET AND ACTUAL

For the Year Ended December 31, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Revenues				
Taxes				
Sales and use	\$ 13,000	\$ 13,000	\$ 15,997	\$ 2,997
Grants	-	-	1,500	1,500
Interest	52	52	30	-22
Total revenues	<u>13,052</u>	<u>13,052</u>	<u>17,527</u>	<u>4,475</u>
EXPENDITURES				
Current - general government	<u>13,000</u>	<u>13,000</u>	<u>17,717</u>	<u>(4,717)</u>
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>17,717</u>	<u>(4,717)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52	52	(190)	(242)
Fund balance beginning of year	<u>50,062</u>	<u>50,062</u>	<u>50,062</u>	<u>-</u>
Fund balance end of year	<u><u>50,114</u></u>	<u><u>50,114</u></u>	<u><u>49,872</u></u>	<u><u>(242)</u></u>

See the accompanying Independent Auditor's Report.

TOWN OF NATURITA, COLORADO
CONSERVATION TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended December 31, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Revenues				
Intergovernmental	\$ 6,000	\$ 6,000	\$ 6,219	\$ 219
Miscellaneous	37	37	34	(3)
Total revenues	<u>6,037</u>	<u>6,037</u>	<u>6,253</u>	<u>216</u>
Expenditures				
Current				
Culture and recreation	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,963)	(6,963)	6,253	13,216
Fund balance beginning of year	<u>54,200</u>	<u>54,200</u>	<u>54,195</u>	<u>(5)</u>
Fund balance end of year	<u><u>47,237</u></u>	<u><u>47,237</u></u>	<u><u>60,448</u></u>	<u><u>13,211</u></u>

See the accompanying Independent Auditor's Report.

TOWN OF NATURITA, COLORADO

STATEMENT OF NET POSITION-

PROPRIETARY FUND

December 31, 2021

	<u>Utility Enterprise Fund</u>
ASSETS	
Current Assets	
Cash and investments	\$ 699,001
Accounts receivable, net	46,057
Total Current Assets	<u>745,058</u>
Non-current Assets	
Capital assets:	
Property, plant and equipment	3,679,619
Accumulated depreciation	<u>(2,414,593)</u>
Total Non-current Assets	<u>1,265,026</u>
Total assets	<u>2,010,084</u>
LIABILITIES AND NET POSITION	
Liabilities	
Current Liabilities	
Accounts payable	3,493
Due to other funds	49,317
Customer deposits	48,123
Current portion of long-term debt	6,239
Total Current Liabilities	<u>107,172</u>
Long-term note payable, less current portion	<u>62,485</u>
Total liabilities	<u>169,657</u>
Net position	
Net investment in capital assets	1,196,302
Unrestricted	<u>644,125</u>
Total net position	<u><u>\$ 1,840,427</u></u>

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

TOWN OF NATURITA, COLORADO

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

For the Year Ended December 31, 2021

	Utility <u>Enterprise Fund</u>
Operating revenues	
Charges for services	<u>\$ 472,734</u>
Operating expenses	
Personnel	125,705
Operating expenses	203,457
Purchased services	123,009
Other services	5,504
Depreciation	<u>57,653</u>
Total operating expenses	<u>515,328</u>
Operating income (loss)	<u>(42,594)</u>
Nonoperating revenues (expenses)	
Interest income	100
Interest expense	<u>(735)</u>
Total nonoperating revenues (expenses)	<u>(635)</u>
Change in net position	(43,229)
Net position at beginning of year	<u>1,883,656</u>
Net position at end of year	<u><u>\$ 1,840,427</u></u>

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

TOWN OF NATURITA, COLORADO

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Utility Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 475,469
Cash paid to suppliers	(279,160)
Cash paid to employees	(125,705)
Net cash provided (used) by operating activities	<u>70,604</u>
Cash flows from capital and related financing activities:	
Additions to capital assets	(29,597)
Loan Principal Payments	(6,177)
Loan interest payments and fiscal charges	(735)
Net cash (used) by noncapital financing activities	<u>(36,509)</u>
Cash flows from investing activities:	
Interest received	<u>100</u>
Net increase in cash	34,195
Cash - Beginning of year	<u>664,806</u>
Cash - End of year	<u><u>\$ 699,001</u></u>
Reconciliation of net operating income (Loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	<u>\$ (42,594)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	57,653
(Increase) Decrease in:	
Accounts receivable	(92)
Increase (decrease) in:	
Accounts payable	3,493
Interfund	49,317
Customer deposits	2,827
Total adjustments	<u>113,198</u>
Net cash provided (used) by operating activities	<u><u>\$ 70,604</u></u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 2020 taxes collectible in 2021 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 1/2 installment due:	February 28
Second 1/2 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. Therefore, the associated allowance for doubtful accounts is zero.

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 2021.

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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's Lodging Tax Fund expenditures exceeded the board approved appropriations for 2021.

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021 is as follows:

Cash on hand	\$ 731
Insured by FDIC	250,000
Collateralized as noted above	1,520,021
Total	1,770,752
Plus reconciling items	374
Total cash and investments	<u>\$ 3,541,877</u>

NOTE D: – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not depreciated:				
Land	\$ 149,253	\$ -	\$ -	\$ 149,253
Construction in Progress	101,385	-	-	101,385
Total capital assets, not depreciated	<u>250,638</u>	<u>-</u>	<u>-</u>	<u>250,638</u>
Capital assets, being depreciated:				
Buildings	238,481	-	-	238,481
Equipment	214,883	26,398	-	241,281
Infrastructure	1,151,021	-	-	1,151,021
Total capital assets depreciated	<u>1,604,385</u>	<u>26,398</u>	<u>-</u>	<u>1,630,783</u>
Less, accumulated depreciation:				
Buildings	175,815	4,248	-	180,063
Equipment	137,509	17,065	-	154,574
Infrastructure	180,169	29,180	-	209,350
Total Accumulated Depreciation	<u>493,493</u>	<u>50,493</u>	<u>-</u>	<u>543,986</u>
Total capital assets depreciated, net	<u>1,110,892</u>	<u>(24,095)</u>	<u>-</u>	<u>1,086,797</u>
Govt activities capital assets, net	<u>\$ 1,361,530</u>	<u>\$ (24,095)</u>	<u>\$ -</u>	<u>\$ 1,337,434</u>

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE D: – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities

Public safety	\$ 619
Public works	47,252
Culture and recreation	2,623
Total depreciation expense - governmental activities	<u>\$ 50,493</u>

Business-type Activities	Beginning Balance	Increase	Decrease	Ending Balance
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	3,541,270	-	-	3,541,270
Equipment	30,883	29,597	-	60,480
Total assets, being depreciated	<u>3,572,153</u>	<u>29,597</u>	<u>-</u>	<u>3,601,750</u>
Less, accumulated depreciation				
Buildings and Systems	2,349,602	51,282	-	2,400,884
Equipment	7,339	6,371	-	13,710
Total accumulated depreciation	<u>2,356,941</u>	<u>57,653</u>	<u>-</u>	<u>2,414,594</u>
Total capital assets being depreciated	<u>1,215,212</u>	<u>(28,056)</u>	<u>-</u>	<u>1,187,156</u>
Business activities capital assets, net	<u>\$ 1,293,081</u>	<u>\$ (28,056)</u>	<u>\$ -</u>	<u>\$ 1,265,026</u>

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE E: - LONG-TERM LIABILITIES

Business-type Activities - The following summarizes the changes in the Town's business-type long-term debt activities for the year ended December 31, 2021:

	Balance 12/31/2020	Additions	Reduction	Balance 12/31/2021	Due Within One Year
Business-type Activities					
CWRPDA Sewer Loan	\$ 74,901	\$ -	\$ 6,177	\$ 68,724	\$ 6,239

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 there on 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:

	Principal	Interest	Total	Balance 31-Dec
2022	\$ 6,239	\$ 672	\$ 6,911	\$ 68,723
2023	6,302	609	6,911	62,484
2024	6,365	546	6,911	56,182
2025	6,429	482	6,911	49,817
2026	6,494	418	6,912	43,388
2027-2031	33,456	1,099	34,555	10,264
2032	3,438	17	3,455	-
	<u>\$ 68,724</u>	<u>\$ 3,842</u>	<u>\$ 72,566</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.

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE E: LONG-TERM DEBT (Continued)

The operation and maintenance reserve calculation is: current assets minus current liabilities needs to be greater than the result of operating expenses less depreciation times 0.25. For 2021:

Current assets	\$745,058
Current liabilities	100,933
	<u>\$644,125</u>
Operating exp - depreciation	457,675
times .25	<u>\$114,419</u>

\$644,125 is greater than \$114,419. 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 2021 the calculation is:

2021 Debt Service (principal & interest)	6,911
Multiply by 1.1	7,602
Total revenue	472,834
Total operating expense	515,327
Less depreciation	<u>(57,653)</u>
	457,674
Net revenues (Total revenue less total expense)	<u>15,160</u>
(not including depreciation)	

\$15,160 is greater than \$7,602. 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.

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.

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

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.

The Town is exposed to various risks of loss related to workers compensation and general liability. The Town has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage.

The Town is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. To address such risks, the Town is a participant in the public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency (CIRSA).

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$500,000 per claim or occurrence for property damage, \$600,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the Town may be liable for any losses in excess of this coverage, the Town does not anticipate losses at December 31, 2020. No settlements of claims against the Town in the last three years have exceeded the Town's coverage.

Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The board of directors may credit member municipalities' future contributions in the event of a surplus. Although it has never occurred, CIRSA member municipalities are subject to a supplemental assessment in the event of a deficiency. For 2021, the Town's deductible for property and liability claims per occurrence is \$1,000 for each. The auto liability deductible and the auto physical damage deductible are both \$1,000 per occurrence.

The Town carries no deductible for workers Compensation coverage. CIRSA's coverage for workers' compensation claims are the Colorado statutory limits of \$500,000 per occurrence and \$1,000,000 for employer liability.

TOWN OF NATURITA, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE G - RISK MANAGEMENT (continued)

The Town also carries accident medical insurance coverage through CIRSA. This provides a medical coverage for a minor injury a volunteer receives when serving the Town in a volunteer capacity such as a community service worker, volunteer trail work, or volunteer coaching for recreation. Coverage is \$15,000 per occurrence with a \$25 deductible.

The Town's 2021 contributions to CIRSA were \$12,592.

NOTE H - INTERFUND BALANCES AND TRANSFERS

No interfund transfers were made in 2021. Interfund balances of \$49,317 at December 31, 2021 are due to General Fund from Utility Enterprise Fund. The amount is due for Payroll reimbursement.

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 Retirement Association (CRA). 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, 2021, the Town contributed \$3,900 to the plan.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through the date of availability of financial statements for issuance. Beginning in 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

UTILITY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

For the Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	2021			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
Revenues				
Charges for services	\$ 517,415	\$ 517,415	472,466	\$ (44,949)
Grant proceeds	600,000	600,000	-	(600,000)
Other	1,168	1,168	368	(800)
Total revenues	<u>1,118,583</u>	<u>1,118,583</u>	<u>472,834</u>	<u>(645,749)</u>
Expenditures				
Personal services	148,500	148,500	125,705	22,795
Operating expenses	165,398	165,398	203,457	(38,059)
Purchased services	116,300	116,300	123,009	(6,709)
Other charges	3,675	3,675	5,504	(1,829)
Interest and principal	6,912	6,912	6,912	-
Capital outlay	600,000	600,000	29,597	570,403
Contingency	67,337	67,337	-	67,337
Total expenditures	<u>1,108,122</u>	<u>1,108,122</u>	<u>494,184</u>	<u>613,938</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES	<u>\$ 10,461</u>	<u>\$ 10,461</u>	\$ (21,350)	<u>\$ 1,259,687</u>
RECONCILIATION TO GAAP BASIS:				
Add: Loan principal payments			6,177	
Add: Capital assets			29,597	
Deduct: Depreciation			<u>(57,653)</u>	
CHANGE IN NET POSITION - GAAP BASIS			<u>\$ (43,229)</u>	

See the accompanying Independent Auditor's Report.

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Naturita YEAR ENDING : December 31, 2021
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**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:	4,667
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	122
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	7,302	d. Total (a. through c.)	122
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	52,968
a. Bonds - Original Issues		6. Total (1 through 5)	57,757
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)	7,302	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government		2. Notes:	
(from page 2)	27,456	a. Interest	
D. Receipts from Federal Government		b. Redemption	
(from page 2)	0	c. Total (a. + b.)	0
E. Total receipts (A.7 + B + C + D)	34,758	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)	57,757

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
		34,758	57,757		(22,999)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): Year ENDING 12-31-2021	
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	7,302
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.)	7,302
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	24,686	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	2,770	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.)	2,770	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	27,456	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:			