

TOWN OF SOUTH FORK, COLORADO

FINANCIAL STATEMENTS

December 31, 2021



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

TOWN OF SOUTH FORK, COLORADO

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Honorable Mayor
and the Board of Trustees
Town of South Fork, Colorado
South Fork, Colorado

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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

Qualified Opinion on the Business-type Activities and Water Enterprise Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Business-Type Activities and the Water Enterprise Fund of the Town, as of December 31, 2021, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Governmental Activities, General Fund, Conservation Trust Fund, and Visitor Center and Marketing Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Water Enterprise Fund, and the aggregate remaining fund information of the Town, as of December 31, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Business-Type Activities and the Water Enterprise Fund

As referred to in Note 6 to the financial statements, several privately owned water systems constructed between 1974 and 2006 were transferred to the Town during 2019, the fair value of which has not been determined. Accounting principles general accepted in the United States of America require donated capital

Certified Public Accountants

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assets to be recognized at fair market value at the date of donation and depreciated over the estimated remaining useful life of the assets. It was not practicable to determine the effect of the departures on the business-type activities and the Water Enterprise Fund.

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'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.

Auditors' 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 Auditors' 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 and *Government 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 and *Government 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'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'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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the General Fund and major special revenue funds budgetary comparison information and the pension information, as 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 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's basic financial statements. The accompanying proprietary fund budgetary comparison information, Local Highway Finance Report, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 proprietary fund budgetary comparison information, Local Highway Finance Report, and

Honorable Mayor
and the Board of Trustees
Town of South Fork, Colorado
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schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 13, 2022

TOWN OF SOUTH FORK, COLORADO
BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH FORK, COLORADO

STATEMENT OF NET POSITION

December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	TOTAL
ASSETS			
Current assets			
Cash, deposits, and investments	\$ 1,100,957	\$ 100,397	\$ 1,201,354
Cash with Fiscal Agent	-	809,120	809,120
Accounts receivable	4,605	6,842	11,447
Due from state	97,644	-	97,644
Due from other governments	83,953	321,243	405,196
Internal balances	280,087	(280,087)	-
Prepaid expenses	-	-	-
Total current assets	1,567,246	957,515	2,524,761
Noncurrent assets			
Land	630,233	-	630,233
Construction in progress	-	3,404,507	3,404,507
Water Augmentation Rights	-	440,000	440,000
Buildings and improvements	436,404	-	436,404
Equipment	647,921	-	647,921
Infrastructure	188,404	-	188,404
Less: accumulated depreciation	(777,790)	-	(777,790)
Net pension asset	33,155	-	33,155
Total noncurrent assets	1,158,327	3,844,507	5,002,834
TOTAL ASSETS	2,725,573	4,802,022	7,527,595
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	53,708	-	53,708
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	34,745	342	35,087
Compensated absences	8,086	-	8,086
Note payable - CWRPDA	-	17,959	17,959
Total current liabilities	42,831	18,301	61,132
Noncurrent liabilities			
Compensated absences	19,028	-	19,028
Note payable - CWRPDA	-	3,026,441	3,026,441
Total noncurrent liabilities	19,028	3,026,441	3,045,469
TOTAL LIABILITIES	61,859	3,044,742	3,106,601
DEFERRED INFLOWS OF RESOURCES			
Pensions	37,114	-	37,114

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

TOWN OF SOUTH FORK, COLORADO
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
NET POSITION			
Net investment in capital assets	1,158,327	1,609,227	2,767,554
Restricted for:			
TABOR reserve	52,300	-	52,300
Conservation Trust Fund	76,569	-	76,569
Unrestricted	1,393,112	148,053	1,541,165
TOTAL NET POSITION	\$ 2,680,308	\$ 1,757,280	\$ 4,437,588

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

TOWN OF SOUTH FORK, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	TOTAL
Primary Government:						
Governmental activities:						
General government	\$ 384,001	\$ 101,897	\$ 30,637	\$ (251,467)	\$ -	\$ (251,467)
Public safety	274,932	67,944	-	(206,988)	-	(206,988)
Highways and streets	442,340	76,402	-	(365,938)	-	(365,938)
Marketing and economic	77,485	-	-	(77,485)	-	(77,485)
Culture and recreation	126,706	37,077	49,185	112,539	-	112,539
Interest on long-term debt	65	-	-	(65)	-	(65)
Total Governmental Activities	1,305,529	206,918	79,822	(789,404)	-	(789,404)
Business-Type Activities						
Water	73,953	154,010	706,551	-	786,608	786,608
Total Business-Type Activities	73,953	154,010	706,551	-	786,608	786,608
Total Primary Government	\$ 1,379,482	\$ 360,928	\$ 786,373	(789,404)	786,608	(2,796)
General Revenues:						
Taxes:						
Sales taxes				1,149,899	-	1,149,899
Other taxes				3,284	-	3,284
Interest on investments				225	-	225
Miscellaneous				-	1,013	1,013
Total General Revenues				1,153,408	1,013	1,154,421
Change in Net Position				364,004	787,621	1,151,625
Net Position at Beginning of Year				2,316,304	969,659	3,285,963
Net Position at End of Year				\$ 2,680,308	\$ 1,757,280	\$ 4,437,588

The accompanying notes are an integral part of this financial statement

TOWN OF SOUTH FORK, COLORADO
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2021

	GENERAL FUND	CONSERVATION TRUST	VISITOR CENTER AND MARKETING FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 939,331	\$ 76,569	\$ 85,057	\$ 1,100,957
Accounts Receivable	4,140	-	465	4,605
Due from state	97,644	-	-	97,644
Due from other governments	83,953	-	-	83,953
Due from other funds	280,087	-	-	280,087
TOTAL ASSETS	\$ 1,405,155	\$ 76,569	\$ 85,522	\$ 1,567,246
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 34,534	\$ -	\$ 211	\$ 34,745
TOTAL LIABILITIES	34,534	-	211	34,745
FUND BALANCE				
Restricted:				
TABOR Reserve	52,300	-	-	52,300
Conservation Trust Fund	-	76,569	-	76,569
Committed:				
Culture and recreation	-	-	85,311	85,311
Safeguard Reserve	137,770	-	-	137,770
Operating Reserve	344,430	-	-	344,430
Capital Improvement Projects	148,830	-	-	148,830
Police Surcharge	40,000	-	-	40,000
Contingency Reserve	148,830	-	-	148,830
Unassigned	498,461	-	-	498,461
TOTAL FUND BALANCE	1,370,621	76,569	85,311	1,532,501
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,405,155	\$ 76,569	\$ 85,522	\$ 1,567,246

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

TOWN OF SOUTH FORK, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2021

Total governmental fund balances	\$ 1,532,501
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.	1,125,172
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.	53,708
Net pension assets (liabilities) are not due and payable in the current period and are not reported in the funds.	33,155
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.	(37,114)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(27,114)</u>
Net position of governmental activities	<u><u>\$ 2,680,308</u></u>

TOWN OF SOUTH FORK, COLORADO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2021

	<u>GENERAL FUND</u>	<u>CONSERVATION TRUST</u>	<u>VISITOR CENTER AND MARKETING FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 1,153,183	\$ -	\$ -	\$ 1,153,183
Licenses and permits	100,650	-	-	100,650
Intergovernmental revenue	76,402	4,324	142,422	223,148
Charges for services	16,314	-	43,314	59,628
Fines and Forfeitures	52,877	-	-	52,877
Interest on accounts	148	73	4	225
Other	79,822	-	-	79,822
TOTAL REVENUES	<u>1,479,396</u>	<u>4,397</u>	<u>185,740</u>	<u>1,669,533</u>
EXPENDITURES				
General government	399,781	-	-	399,781
Public safety	265,758	-	-	265,758
Highways and streets	396,883	-	-	396,883
Marketing and economic	77,485	-	-	77,485
Culture and recreation	13,519	-	110,895	124,414
Capital outlay	143,053	-	-	143,053
Debt service	6,730	-	-	6,730
TOTAL EXPENDITURES	<u>1,303,209</u>	<u>-</u>	<u>110,895</u>	<u>1,414,104</u>
Excess (deficiency) of revenues over expenditures	176,187	4,397	74,845	255,429
OTHER FINANCING SOURCES (USES)				
Transfer In/(Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	176,187	4,397	74,845	255,429
Fund Balance at Beginning of Year	<u>1,194,434</u>	<u>72,172</u>	<u>10,466</u>	<u>1,277,072</u>
Fund Balance at End of Year	<u>\$ 1,370,621</u>	<u>\$ 76,569</u>	<u>\$ 85,311</u>	<u>\$ 1,532,501</u>

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

TOWN OF SOUTH FORK, 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, 2021

Net change in fund balances - Total governmental funds \$ 255,429

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the activity in capital assets in the current period.

Fixed asset additions	\$ 175,618	
Depreciation expense	<u>(71,150)</u>	104,468

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		(1,120)
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Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayment of principal include:

Capital lease payments		6,665
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Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension expense.

		<u>(1,438)</u>
Change in net position of governmental activities		<u><u>\$ 364,004</u></u>

TOWN OF SOUTH FORK, COLORADO
PROPRIETARY FUND
STATEMENT OF NET POSITION
December 31, 2021

	WATER ENTERPRISE FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 100,397
Cash with Fiscal Agent	809,120
Accounts Receivable	6,842
Prepaid Expenses	-
Due from other governments	321,243
Total Current Assets	1,237,602
Capital Assets	
Construction in Progress	3,404,507
Water Augmentation Rights	440,000
Total Capital Assets	3,844,507
TOTAL ASSETS	5,082,109
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	342
Due to Other Funds	280,087
Notes payable	17,959
Total Current Liabilities	298,388
Noncurrent Liabilities	
Notes payable	3,026,441
Total Noncurrent Liabilities	3,026,441
TOTAL LIABILITIES	3,324,829
NET POSITION	
Net Investment in Capital Assets	1,609,227
Unrestricted	148,053
TOTAL NET POSITION	\$ 1,757,280

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

TOWN OF SOUTH FORK, COLORADO
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

	WATER ENTERPRISE FUND
OPERATING REVENUES	
Charges for Services	
Service Charges	\$ 154,010
Miscellaneous	1,013
TOTAL OPERATING REVENUES	155,023
OPERATING EXPENSES	
Salaries	10,218
Supplies	13,766
Professional Services	24,582
Utilities, Gas and Oil	12,603
Repairs and Maintenance	12,420
Insurance	-
Miscellaneous	364
TOTAL OPERATING EXPENSES	73,953
Operating Income (Loss)	81,070
NONOPERATING REVENUES (EXPENSES)	
Grant Income	607,541
TOTAL NONOPERATING REVENUES (EXPENSES)	607,541
Income Before Contributions and Transfers	688,611
Capital Contributions	
Tap Fees	66,900
Water Treatment Building	32,110
Total Capital Contributions	99,010
OTHER FINANCING SOURCES (USES)	
Transfer Out	-
TOTAL OTHER FINANCING SOURCES (USES)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	99,010
Net Income (Loss)	787,621
Net Position at Beginning of Year	969,659
Net Position at End of Year	\$ 1,757,280

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

TOWN OF SOUTH FORK, COLORADO
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

	<u>WATER ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 114,720
Cash Payments to Suppliers for Goods and Services	(418,764)
Cash Payments to Employees	(10,218)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(314,262)
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Fixed Assets	(2,571,957)
Grant Proceeds	785,989
Loan Proceeds	444,400
	<hr/>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,242,558)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	-
	<hr/>
NET CASH PROVIDED (USED) FOR INVESTING ACTIVITIES	-
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,556,820)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,466,337
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 909,517
	<hr/> <hr/>
OPERATING INCOME (LOSS)	\$ 81,070
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(40,303)
(Increase) Decrease in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	(335,115)
Increase (Decrease) in Due to Other Funds	(19,914)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (314,262)
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The accompanying notes are an integral part of this financial statement.

TOWN OF SOUTH FORK, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town of South Fork (the Town) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The Town was incorporated on May 19, 1992, and became a statutory town under State Statute (C.R.S. 31-1-101). The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, planning and zoning, water, and general administrative services.

Component Units

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town
- The organization is financially accountable to the Town
- The organization receives or holds funds that are for the benefit of the Town; and the Town has access to a majority of the funds held; and the funds that are accessible are also significant to the Town

Based on the aforementioned criteria, the Town of South Fork has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the Town, except for fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

TOWN OF SOUTH FORK, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All of the Town's funds at December 31, 2021 are considered to be major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

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. Revenues are considered available when they are collectible within the current period or soon enough thereafter 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. Expenditures are generally recorded when a 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 financial resources of the general government, except those required to be accounted for in another fund.
- The **Conservation Trust Fund** is used to account for the Town's share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks and other public recreational facilities.
- The **Visitor Center and Marketing Fund** is used to account for the Town's interpretive center. The monies may be expended for advertising, events, and other tourism projects.

The Town reports the following major enterprise funds:

- The **Water Enterprise Fund** is used to account for user charges and expenses for operating, financing, and maintaining the Town's water system.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

The Town’s cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with an initial maturity of three months or less.

Investments

All investments, if any, are recorded at fair market value.

Receivables/payables from other funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as “Due To/From Other Funds”.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and a life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10-30
Equipment	5-20
Infrastructure	20

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town.

Compensated Absences

The Town of South Fork has adopted a policy to pay all regular employees their annual allotment of accrued vacation upon termination under favorable conditions. Vacation accrued during the first year of employment is not payable at time of termination if the termination date is less than one year from the employee’s date of employment. Regular employees that are terminated or leave after the one-year time frame qualify and will be paid for their unused balance of vacation time accrued up through the last day worked. Employees will accrue vacation at the rate of 6 to 10 hours per month with a maximum of 144 to 240 hours based on years of service. The employee is compensated for hours in excess of the maximum at a rate of 20% straight pay and paid at the end of the calendar year. Sick leave may accumulate up to 90 days or 720 hours, but will not be paid upon termination. A liability for accrued compensated absences is included in the government-wide financial statements.

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Long-Term Obligations

Long-term debt and other long term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applied to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Certain amounts related to pensions must be deferred.

Pensions

The Town participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension fund administered by the Fire and Police Pension Association of Colorado ("FPPA"). The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the Town is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.

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- *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Trustees, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Trustees or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Encumbrances

The Town does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Town follows the procedures set forth in the Colorado Local Government Budget Law when preparing the annual budget for each fund. Budget procedures include:

- Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- Publication of a notice stating that the budget is available for public inspection.
- Discussion of the budget in a meeting open to the public.
- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

Formal budgetary integration is employed as a management control device for all funds of the Town. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). All budget amounts presented reflect the original budget and the final budget, if applicable.

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The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Town did adopt supplemental appropriations during 2021. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

A summary of Cash, Deposits, and Investments are as follows:

Cash on Hand and Deposited with Banks	\$ 604,205
Investments - C-SAFE	597,149
	\$ 1,201,354
Cash with fiscal agent	809,120
Total Cash, Deposits, and Investments on Statement of Net Position	\$ 2,010,474

CASH AND DEPOSITS

Colorado state statutes govern the Town's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. All deposits in 2021 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At December 31, 2021, \$669,204 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

Cash and Investments Restricted for Unspent Debt Proceeds

At year-end, the Town had \$809,120 of unspent note proceeds restricted to pay construction costs for various projects.

INVESTMENTS

The types of investments which are authorized to be made with Town funds are controlled by state statute and the investment policies of the Town. Colorado state statutes and the Town's investment policies specify investment instruments meeting defined rating and risk criteria in which the Town may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds

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- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

Custodial Credit Risk - Investments

The Town's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The Town's investment policy allows for the Town to invest in local government investment pools.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates. The Town has no investments with maturities past five years.

The Town has \$597,149 invested in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00 with no withdrawal restrictions. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements and A1 rated Colorado Depositories collateralized at 102% of market value with Treasury & Agency Securities. Asset allocation is in full conformance with S & P guidelines. CSAFE measures all of its investments at amortized cost. CSAFE is rated AAAM by Standard and Poor's.

Investments in local government investment pools or money market funds are not categorized as to risk because they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants and sales tax collected by other government agencies. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2021, the Town had \$97,644 due from state and \$405,196 from local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Town reports interfund balances between its funds. The balances result from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

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Interfund receivable and payable balances at December 31, 2021, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Enterprise Fund	\$ 280,087

NOTE 6 CAPITAL ASSETS

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

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Land	\$ 630,233	\$ -	\$ -	\$ 630,233
Total capital assets not being depreciated	630,233	-	-	630,233
Capital assets being depreciated				
Buildings and improvements	436,404	-	-	436,404
Equipment	498,303	149,618	-	647,921
Infrastructure	162,404	26,000	-	188,404
Total capital assets being depreciated	1,097,111	175,618	-	1,272,729
Less accumulated depreciation for:				
Buildings and improvements	300,415	13,290	-	313,705
Equipment	300,569	44,058	-	344,627
Infrastructure	105,656	13,802	-	119,458
Total accumulated depreciation	706,640	71,150	-	777,790
Total capital assets being depreciated, net	390,471	104,468	-	494,939
Governmental Activities Capital Assets, net	\$ 1,020,704	\$ 104,468	\$ -	\$ 1,125,172
<i>Business-type Activities:</i>				
Capital assets not being depreciated				
Construction in progress	\$ 1,272,550	\$ 2,131,957	\$ -	\$ 3,404,507
Water Augmentation Rights	-	440,000	-	440,000
Total capital assets not being depreciated	1,272,550	2,571,957	-	3,844,507
Business-type Activities Capital Assets, net	\$ 1,272,550	\$ 2,571,957	\$ -	\$ 3,844,507

During 2019, several water systems constructed between 1974 and 2006 were transferred to the Town. The fair market value at the date of donation is not readily determinable, and therefore has not been recognized in the business-type activities or the Water Enterprise Fund. The Town is currently reviewing options to value these assets in a cost beneficial manner. Note 12 describes the pending improvements to the entire water system.

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

Governmental activities:	
General government	\$ 28,214
Public safety	7,736
Highway and streets	26,744
Culture and recreation	8,456
Total depreciation expense - governmental activities	\$ 71,150

NOTE 7 LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Due Within One Year
<i>Governmental Activities</i>					
Capital lease	\$ 6,665	\$ -	\$ (6,665)	\$ -	\$ -
Compensated absences	25,994	1,120	-	27,114	8,086
Governmental Activities Total	\$ 32,659	\$ 1,120	\$ (6,665)	\$ 27,114	\$ 8,086
<i>Business-type Activities</i>					
CWRPDA Loan	\$2,600,000	\$ -	\$ -	\$2,600,000	\$ 6,703
CWCB Loan	-	444,400	-	444,400	11,256
Business-Type Activities Total	\$2,600,000	\$ 444,400	\$ -	\$3,044,400	\$ 17,959

Governmental Activities

The Town entered into a \$53,500 Lease Purchase Agreement with TCF Equipment Finance, a division of TCF National Bank, payable in monthly installments of \$961, beginning August 2016, at 3.00% interest, for the purchase of a Kubota Tractor. Final payment was due July 2021. This item is recorded in fixed assets in the government-wide financial statements at \$53,500 less accumulated depreciation of \$19,616. This lease was paid off in 2021.

Business-type Activities

On July 8, 2020, the Colorado Water Resources and Power Development Authority loaned the Town \$3,000,000 at an interest rate of 0.500% annually. \$400,000 was forgiven at closing. This loan was obtained for the first stage of construction of a new municipal water system. The note is to be repaid in semi-annual installments of \$47,330 for a period of 30 years. During 2021 the Town received a one year extension on the loan since the project was not complete. The initial payment is due November 1, 2022, and the final payment is due May 1, 2052. The loan is secured with “net revenue” from the Water Enterprise Fund pledged to repay the loan.

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The annual debt service for the note payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,703	\$ 1,083	\$ 7,786
2023	81,796	12,864	94,661
2024	82,206	12,455	94,661
2025	82,617	12,043	94,661
2026	83,031	11,630	94,661
2027-2031	421,431	51,872	473,303
2032-2036	432,086	41,217	473,303
2037-2041	443,011	30,292	473,303
2042-2046	454,211	19,092	473,303
2047-2051	465,695	7,608	473,303
2052	47,212	118	47,330
	<u>\$ 2,600,000</u>	<u>\$ 200,273</u>	<u>\$ 2,800,273</u>

On March 12, 2021, the Colorado Water Conservation Board loaned the Town \$444,400 at an interest rate of 1.95% annually. This loan was obtained for the purchase of 27.804 acre-feet per year of water. The note is to be repaid in annual installments of \$19,706 for a period of 30 years. The initial payment is due March 1, 2022, and the final payment is due March 1, 2051. The loan is secured with “net revenue” from the Water Enterprise Fund pledged to repay the loan.

The annual debt service for the note payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 11,040	\$ 8,666	\$ 19,706
2023	11,256	8,450	19,706
2024	11,475	8,231	19,706
2025	11,699	8,007	19,706
2026	11,927	7,779	19,706
2027-2031	63,216	35,315	98,531
2032-2036	69,625	28,906	98,531
2037-2041	76,684	21,847	98,531
2042-2046	84,458	14,073	98,531
2047-2051	93,020	5,511	98,531
	<u>\$ 444,400</u>	<u>\$ 146,785</u>	<u>\$ 591,185</u>

NOTE 8 POLICE PENSION

General Information about the Fire and Police Statewide Defined Benefit Plan

Plan description. The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA’s website at <http://www.FPPAco.org>.

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Benefits provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions. Through December 31, 2020 contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and member.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 8 percent and 8.5 percent in 2020 and 2021, respectively. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13 percent of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11 percent and 8 percent, respectively, of pensionable earnings for a total contribution rate of 19 percent.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23 percent and 23.5 percent of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4 percent contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

The contribution rate for members and employers of affiliated social security employers is 5.5 percent and 4 percent, respectively, of pensionable earnings for a total contribution rate of 9.5 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of pensionable earnings. Employer contributions are 4 percent and 4.25 percent in 2020 and 2021, respectively. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

Contributions to the Plan from the Town were \$8,231 for the year ended December 31, 2021.

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Pension Assets or Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Town reported an asset of \$33,155 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2021. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined as of December 31, 2020, based upon the January 1, 2020 actuarial valuation. At December 31, 2020, the Town's proportion was 0.015 percent, which was an increase of 0.001 from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town increased pension expense by \$1,438. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,118	\$ 132
Net difference between projected and actual earnings on pension plan investments	-	34,055
Changes in assumption	14,101	-
Changes in proportion	3,258	2,927
Contributions subsequent to the measurement date	8,231	-
Total	\$ 53,708	\$ 37,114

\$8,231 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2022	\$ (3,360)
2023	1,057
2024	(4,672)
2025	1,107
2026	6,141
Thereafter	8,091
	\$ 8,364

Actuarial assumptions. The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumption and other inputs:

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	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2021	January 1, 2020
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 years
Long-term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25 - 11.25%
Cost of Living Adjustments (COLA)	0.0%	0.0%
* Includes Inflation at	2.5%	2.5%

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates for the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and projected prospectively using the ultimate rate of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	39.0%	8.23%
Equity Long/Short	8.0%	6.87%
Private Markets	26.0%	10.63%
Fixed Income Rates	10.0%	4.01%
Fixed Income - Credit	5.0%	5.25%
Absolute Return	10.0%	5.60%
Cash	2.0%	2.32%
Total	<u>100.0%</u>	

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term

TOWN OF SOUTH FORK, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.00 percent (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00 percent.

Regarding the sensitivity of the net pension liability/ (asset) to changes in the Single Discount Rate, the following presents the plan’s net pension liability/(asset), calculated using a Single Discount Rate of 7.00 percent, as well as what the plan’s net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
\$ 33,365	\$ (33,155)	\$ (88,241)
\$ 33,365	\$ (33,155)	\$ (88,241)

NOTE 9 DEFINED CONTRIBUTION PLAN

All eligible employees participate in the Colorado County Officials and Employees Retirement Association (CCOERA) (the Plan), a defined contribution plan, authorized by state statute. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Employees are eligible after completing twelve months of service with the Town, and participation is mandatory after one year of employment. Employee and employer contributions are 100% vested immediately upon employee participation in the plan.

The Town must contribute 3% of the compensation of each participant. Each participant contributes a minimum amount equal to the Town’s contribution, and is permitted to make additional contributions not to exceed 10% of their compensation. For the year ended December 31, 2021, employee contributions totaled \$8,198 and the Town recognized pension expense of \$8,198. The Town recognized \$0 of forfeitures in retirement expense during 2021.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. The Plan may be amended by resolution of the Board of Trustees but it may not be amended beyond the limits established by state statute.

NOTE 10 TABOR AMENDMENT RESERVE

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment.

TOWN OF SOUTH FORK, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 7, 1995, voters approved a ballot question which stated that the Town shall be allowed to increase sales tax revenues by whatever additional amounts are raised annually from the sales tax at the existing rate and to be authorized to apply for, collect, receive, retain, accept and spend any and all nonfederal grants, license or any other state authorized fees or other revenue sources, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, effective January 1, 1996, provided that no municipal tax rate shall be increased without further voter approval.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as a restricted fund balance in the General Fund and a restricted net position in the government-wide Statement of Net Position. The Town is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 11 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Grant Programs – The Town participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Litigation – The Town is a party to various legal actions normally associated with governmental activities, the aggregate effect which, in management's and legal counsel's opinion, would not be material to the financial statements.

COVID-19 - In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity throughout the Town could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. The Town has received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to mitigate some of the costs/losses incurred as a result of the pandemic. However, no adjustments have been made to these financial statements as the potential impact is unknown at this time.

Construction Projects – On June 12, 2019 the Town entered into a loan agreement with the Colorado Water Resources & Power Development Authority for \$300,000, a grant agreement with the Colorado Department of Local Affairs for \$1,000,000 on June 8, 2020, and a loan agreement with the Colorado Water Resources & Power Development Authority for \$3,000,000 on July 8, 2020 for the purpose of designing/constructing a new water system. The Town has spent \$3,372,397 as of December 31, 2021 towards the project and is expecting to finish in 2022 with a total cost of \$4,444,400.

TOWN OF SOUTH FORK, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund, and if applicable, each of the Town's major special revenue funds. In addition, pension plan contributions and the Town's proportionate share of the net pension liability are required to supplement the basic financial statements.

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	\$ 817,000	\$ 1,337,730	\$ 1,153,183	\$ (184,547)
Licenses and permits	62,000	62,000	100,650	38,650
Intergovernmental revenue				
State grants	2,500	2,500	2,972	472
Shared revenues				
Highway users tax	45,000	45,000	45,205	205
County road and bridge fund	25,000	25,000	24,829	(171)
Motor vehicle fees	3,500	3,500	3,396	(104)
Charges for services	5,505	5,505	16,314	10,809
Fines and Forfeitures	20,500	20,500	52,877	32,377
Interest on accounts	3,010	3,010	148	(2,862)
Other	1,000	1,000	79,822	78,822
TOTAL REVENUES	985,015	1,505,745	1,479,396	(26,349)
EXPENDITURES				
General government	358,220	878,950	399,781	479,169
Public safety	236,350	236,350	265,758	(29,408)
Highways and streets	271,650	271,650	396,883	(125,233)
Marketing and economic	82,950	82,950	77,485	5,465
Culture and recreation	10,200	10,200	13,519	(3,319)
Capital outlay	7,000	7,000	143,053	(136,053)
Debt Service	12,900	12,900	6,730	6,170
TOTAL EXPENDITURES	979,270	1,500,000	1,303,209	196,791
Excess (Deficiency) of Revenues over Expenditures	5,745	5,745	176,187	170,442
OTHER FINANCING SOURCES (USES)				
Transfer In	328,500	328,500	-	(328,500)
TOTAL OTHER FINANCING SOURCES (USES)	328,500	328,500	-	(328,500)
Net Change in Fund Balance	334,245	334,245	176,187	(158,058)
Fund Balance at Beginning of Year	483,225	483,225	1,194,434	711,209
Fund Balance at End of Year	\$ 817,470	\$ 817,470	\$ 1,370,621	\$ 553,151

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
For the Year Ended December 31, 2021

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Intergovernmental revenue				
State lottery proceeds	\$ 3,500	\$ 3,500	\$ 4,324	\$ 824
Interest on accounts	40	40	73	33
TOTAL REVENUES	<u>3,540</u>	<u>3,540</u>	<u>4,397</u>	<u>857</u>
EXPENDITURES				
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,540</u>	<u>3,540</u>	<u>4,397</u>	<u>857</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Net Change in Fund Balance	(11,460)	(11,460)	4,397	15,857
Fund Balance at Beginning of Year	<u>71,637</u>	<u>71,637</u>	<u>72,172</u>	<u>535</u>
Fund Balance at End of Year	<u>\$ 60,177</u>	<u>\$ 60,177</u>	<u>\$ 76,569</u>	<u>\$ 16,392</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
VISITOR CENTER AND MARKETING FUND
For the Year Ended December 31, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Intergovernmental revenue				
County grants	\$ 25,000	\$ 94,290	\$ 142,422	\$ 48,132
Charges for services	33,410	33,410	43,314	9,904
Interest on accounts	10	10	4	(6)
TOTAL REVENUES	<u>58,420</u>	<u>127,710</u>	<u>185,740</u>	<u>58,030</u>
EXPENDITURES				
Culture and Recreation				
Silver thread	60,710	130,000	110,895	19,105
TOTAL EXPENDITURES	<u>60,710</u>	<u>130,000</u>	<u>110,895</u>	<u>19,105</u>
Net Change in Fund Balance	(2,290)	(2,290)	74,845	77,135
Fund Balance at Beginning of Year	<u>14,041</u>	<u>14,041</u>	<u>10,466</u>	<u>(3,575)</u>
Fund Balance at End of Year	<u>\$ 11,751</u>	<u>\$ 11,751</u>	<u>\$ 85,311</u>	<u>\$ 73,560</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION (ASSET) LIABILITY
FPPA SWDB PENSION PLAN
For the Years Ended December 31,

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset)	0.0152715580%	0.0143192410%	0.0132957427%	0.0144611423%	0.0131696564%	0.0169899296%	0.0185961890%	0.0189890360%
Town's proportionate share of the net pension liability (asset)	\$ (33,155)	\$ (8,098)	\$ 16,806	\$ (20,805)	\$ 4,759	\$ (299)	\$ (20,987)	\$ (16,980)
Town's covered payroll	\$ 96,838	\$ 122,664	\$ 105,535	\$ 89,057	\$ 84,585	\$ 67,656	\$ 82,863	\$ 83,625
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-34.24%	-6.60%	15.92%	-23.36%	5.63%	-0.44%	-25%	-20%
Plan fiduciary net position as a percentage of the total pension liability	106.7%	101.9%	95.2%	106.3%	98.2%	100.1%	106.8%	105.8%

*The amounts presented were determined as of the calendar year-end.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the Town presents information for those years for which information is available.

See Notes to the Required Supplementary Information.

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF TOWN CONTRIBUTIONS
FPPA SWDB PENSION PLAN
For the Years Ended December 31,

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 8,231	\$ 9,813	\$ 8,443	\$ 7,125	\$ 6,767	\$ 5,932	\$ 6,629	\$ 6,690
Contributions in relation to the contractually required contribution	<u>(8,231)</u>	<u>(9,813)</u>	<u>(8,443)</u>	<u>(7,125)</u>	<u>(6,767)</u>	<u>(5,932)</u>	<u>(6,629)</u>	<u>(6,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	96,838	122,664	105,535	89,057	84,585	67,656	82,863	83,625
Contributions as a percentage of covered payroll	8.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the Town presents information for those years for which information is available.

TOWN OF SOUTH FORK, COLORADO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended December 31, 2021

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2020 There were no changes in assumptions or other inputs this measurement period compared to prior year.

2019

- Reduced the real return rate from 5.0% to 4.50%, combined with an unchanged inflation rate of 2.50%, reduced the nominal investment assumption from 7.50% to 7.00%.
- Increased the productivity component of the salary scale assumption from 1.50% to 1.75%. Combined with the inflation rate of 2.50%, this creates an ultimate salary scale assumption of 4.25%.
- Removed the blue collar adjustment from the mortality tables being used and updated the mortality projection scale from Scale BB to the ultimate rates of the MP-2017 projection scale.
- Increased disability rates for members covered by a defined benefit program.
- Slightly modified retirement rates to reflect increased retirement utilization for low service members and slightly decreased the normal retirement rates after age 55.
- Limited the amortization period used to determine the Actuarially Determined Contribution Rate such that no negative amortization results (the payment always covers at least the interest on the unfunded liability).

2018

- The Long-Term Investment Rate of Return was lowered from 7.5% to 7.0%
- Projected Salary Increases changed from 4.0%-14.0% to 4.25%-11.25%
- Increase the expected incidence of Disability for members of FPPA's defined benefit plans.

2017 There were no changes in assumptions or other inputs this measurement period compared to prior year

2016 There were no changes in assumptions or other inputs this measurement period compared to prior year

2015

- The Inflation assumption was reduced from 3.0% to 2.5%
- Added an explicit charge for administrative expenses in the actuarial contribution calculation.
- Revised the base mortality tables and the explicit assumption for increasing longevity in the future to reflect current mortality studies.
- Increase the expected incidence of Total Disability for members of FPPA's defined benefit plans.

TOWN OF SOUTH FORK, COLORADO
SUPPLEMENTARY INFORMATION

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION- BUDGET AND ACTUAL
WATER ENTERPRISE FUND
For the Year Ended December 31, 2021

	BUDGETED AMOUNTS		FINAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL
OPERATING REVENUES				
Charges for Services				
Service Charges	\$ 176,000	\$ 208,319	\$ 154,010	\$ (54,309)
Miscellaneous	17,500	17,500	1,013	(16,487)
TOTAL OPERATING REVENUES	193,500	225,819	155,023	(70,796)
OPERATING EXPENSES				
Salaries	10,218	10,218	10,218	-
Supplies	12,850	12,850	13,766	(916)
Professional Services	10,400	42,719	24,582	18,137
Utilities, Gas and Oil	7,000	7,000	12,603	(5,603)
Equipment Repairs and Maintenance	17,000	17,000	12,420	4,580
Insurance	1,200	1,200	-	1,200
Miscellaneous	80,513	80,513	364	80,149
TOTAL OPERATING EXPENSES	139,181	171,500	73,953	97,547
Operating Income (Loss)	54,319	54,319	81,070	26,751
NONOPERATING REVENUES (EXPENSES)				
Grant Revenue	840,000	840,000	607,541	(232,459)
Loan Proceeds	2,240,000	2,240,000	444,400	(1,795,600)
Capital Outlay	(3,110,000)	(3,110,000)	(2,571,957)	538,043
Total Nonoperating Revenues (Expenses)	(30,000)	(30,000)	(1,520,016)	(1,490,016)
Income Before Contributions and Transfers	24,319	24,319	(1,438,946)	(1,463,265)
Capital Contributions				
Tap Fees	-	-	66,900	66,900
Water Treatment Building	-	-	32,110	32,110
Total Capital Contributions	-	-	99,010	99,010
OTHER FINANCING SOURCES (USES)				
Transfer Out	(313,500)	(313,500)	-	313,500
TOTAL OTHER FINANCING SOURCES (USES)	(313,500)	(313,500)	-	313,500
TOTAL NONOPERATING REVENUES (EXPENSES)	(313,500)	(313,500)	99,010	(2,217,218)
Net Income (Loss) - Budget Basis	(289,181)	(289,181)	(1,339,936)	(2,190,467)
Add: Capital Outlay			2,571,957	
Less: Loan Proceeds			(444,400)	
Change in Net Position			787,621	
Net Position at Beginning of Year	355,907	355,907	969,659	969,659
Net Position at End of Year	\$ 66,726	\$ 66,726	\$ 1,757,280	\$ (1,220,808)

TOWN OF SOUTH FORK, COLORADO
OTHER SCHEDULES AND REPORTS

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

LOCAL HIGHWAY FINANCE REPORT		City or County: South Fork			
		YEAR ENDING : December 31, 2021			
This Information From The Records Of: Town of South Fork		Prepared By: Mary Grace Garcia Phone: 719-873-0152			
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:	260,901		
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	57,305	b. Snow and ice removal			
3. Other local imposts (from page 2)	251,614	c. Other			
4. Miscellaneous local receipts (from page 2)	68,071	d. Total (a. through c.)	0		
5. Transfers from toll facilities		4. General administration & miscellaneous	107,080		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	61,090		
a. Bonds - Original Issues		6. Total (1 through 5)	429,070		
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)	376,990	b. Redemption			
B. Private Contributions		c. Total (a. + b.)	0		
C. Receipts from State government (from page 2)	52,080	2. Notes:			
D. Receipts from Federal Government (from page 2)	0	a. Interest			
E. Total receipts (A.7 + B + C + D)	429,070	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)	429,070		
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
		429,070	429,070		0
Notes and Comments:					

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 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	226,785	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	67,945
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	127
5. Specific Ownership &/or Other	24,829	g. Other Misc. Receipts	
6. Total (1. through 5.)	24,829	h. Other	
c. Total (a. + b.)	251,614	i. Total (a. through h.)	68,071
	(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	48,392	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	3,688	d. Federal Transit Admin	
d. Other (Specify)	0	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	3,688	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	52,080	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:

TOWN OF SOUTH FORK, COLORADO

SINGLE AUDIT SECTION

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<i>Drinking Water State Revolving Fund (DWSRF) Cluster</i>			
U.S. Department of Environmental Protection Agency		Colorado Water Resources and Power Development Authority, N/A	
Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$ 1,448,885
<i>Total Drinking Water State Revolving Fund (DWSRF) Cluster</i>			<u>1,448,885</u>
<i>Other Programs</i>			
U.S Department of Treasury		Colorado Department of Local Affairs, N/A	
Coronavirus State and Local Fiscal Recovery Funds	21.027		97,258
<i>Total Other Programs</i>			<u>97,258</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 1,546,143</u></u>

TOWN OF SOUTH FORK, COLORADO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The Town of South Fork (the Town) did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended December 31, 2021. In addition, the Town did not pass-through federal funds to subrecipients.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 3: CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS

This loan is administered indirectly by Colorado Water Resources and Power Development Authority and payable by the Town. The outstanding loan balance at December 31, 2021 is included in the financial statements. The detail of the loan outstanding at the beginning and end of the year is included in the Notes to the Basic Financial Statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Wall,
Smith,
Bateman Inc.

To the Honorable Mayor
and the Board of Trustees
Town of South Fork, Colorado
South Fork, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Fork, Colorado (the Town), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 13, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, as Finding 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

Certified Public Accountants

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objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 13, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**



Wall,
Smith,
Bateman Inc.

To the Honorable Mayor
and the Board of Trustees
Town of South Fork, Colorado
South Fork, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of South Fork, Colorado's (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2021. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Honorable Mayor
and the Board of Trustees
Town of South Fork, Colorado
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 13, 2022

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Qualified and Unmodified
 Qualified Opinion: Business-type Activities and Water Enterprise Fund
 Unmodified Opinion: Governmental Activities, General Fund,
 Conservation Trust Fund, and Visitor Center Marketing Fund

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes X no

TOWN OF SOUTH FORK, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Section II – Financial Statement Findings

Finding 2021-001: Internal Control Over Financial Reporting
(Repeat of Finding 2020-001, 2019-001, 2018-001, 2017-001, and 2016-001)

Type of finding: Internal Control (material weakness)

Condition/Cause: The Town does not have a complete system of internal control to prevent or detect and correct financial misstatements related to the application of accounting principles, nonroutine transactions, and financial statement preparation.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, non-routine transactions, and financial statement preparation.

Effect: As a result, the following areas were impacted:

- Audit adjustments were proposed to properly state the financial statements as of December 31, 2021, in accordance with generally accepted accounting principles.
- Several privately owned water systems constructed between 1974 and 2006 were transferred to the Town during 2019, the fair value of which has not been determined. Accounting principles generally accepted in the United State of America require donated capital assets to be recognized at fair market value at the date of donation and depreciated over the estimated remaining useful life of the assets.

Recommendation: The Town should strengthen its internal controls with adopted policies and procedures regarding the application of accounting principles, non-routine transactions, and financial statement preparation.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

TOWN OF SOUTH FORK, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2021

Section II – Financial Statement Findings

Finding 2020-001: Internal Control Over Financial Reporting
(Repeat of Finding 2019-001, 2018-001, 2017-001, and 2016-001)

Type of finding: Internal Control (material weakness)

Condition/Cause: The Town does not have a complete system of internal control to prevent or detect and correct financial misstatements related to the application of accounting principles, nonroutine transactions, and financial statement preparation.

Status: Not Implemented. (See Finding 2021-001.)

SOUTH FORK

COLORADO

CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Environmental Protection Agency

Town of South Fork, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2021.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle
Alamosa, CO 81101

Audit period: Year ended December 31, 2021

The findings from the December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

**Finding 2021-001: Internal Control Over Financial Reporting
(Repeat of Finding 2020-001, 2019-001, 2018-001, 2017-001, and 2016-001)**

Type of finding: Internal Control (material weakness)

Condition/Cause: The Town does not have a complete system of internal control to prevent or detect and correct financial misstatements related to the application of accounting principles, nonroutine transactions, and financial statement preparation.

Action Plan:

The Town is exploring options in the part-time or contract employment of a certified public accountant to alleviate issues with internal controls.

If the U.S. Department of Environmental Protection Agency has questions regarding this plan, please call the responsible party listed below.

Sincerely yours,


Hank Weber
Town Administrator
Town of South Fork


Mary Grace Garcia
Finance Manager
Town of South Fork

Town of South Fork
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719-873-0152 :: <https://townofsouthfork.colorado.gov/>