

Town of Crestone
Financial Statements
December 31, 2022

TOWN OF CRESTONE
TABLE OF CONTENTS
December 31, 2022

	<u>Page</u>
Independent Auditor's Report	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Governmental Fund Financial Statements	
Balance Sheet	6
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Fund Financial Statements	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget and Actual Major Funds	
General Fund	24
Conservation Trust Fund	25
Supplementary Information	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual	
Water and Sewer Fund	26

INDEPENDENT AUDITOR'S REPORT

To the Town Board of Trustees
Crestone, Colorado

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Crestone, Colorado, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Crestone, Colorado's basic financial statements as listed in the table of contents. In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Crestone, Colorado, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Crestone, Colorado and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Crestone, Colorado's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Crestone, Colorado'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Crestone, Colorado's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24-26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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. My opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2023 on my consideration of the Town of Crestone, Colorado's internal control over financial reporting and on my 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 my 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 of Crestone, Colorado'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 Town of Crestone, Colorado's internal control over financial reporting and compliance.



Canon City, Colorado
September 30, 2023

TOWN OF CRESTONE
BASIC FINANCIAL STATEMENTS

TOWN OF CRESTONE
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 479,955	\$ 162,252	\$ 642,207
Property Taxes Receivable	13,433	-	13,433
Sales Tax Receivable	92,898	-	92,898
Accounts Receivable	3,403	11,785	15,188
Internal Balances	(204)	9,308	9,104
Total Current Assets	589,485	183,345	772,830
Noncurrent Assets			
Land	685,286	16,847	702,133
Construction in Progress	-	-	-
Buildings and Improvements	879,597	-	879,597
Infrastructure	1,738,680	-	1,738,680
Vehicles and Equipment	100,822	-	100,822
Utility System	-	1,484,990	1,484,990
Less: Accumulated Depreciation	(829,594)	(614,503)	(1,444,097)
Total Noncurrent Assets	2,574,791	887,334	3,462,125
TOTAL ASSETS	3,164,276	1,070,679	4,234,955
LIABILITIES			
Current Liabilities			
Accounts Payable	20	139	159
Payroll Taxes Payable	14,922	-	14,922
Rental Deposits	2,504	-	2,504
Unearned Revenue	13,594	-	13,594
Due to Other Funds	8,965	-	8,965
Loan Payable	-	8,618	8,618
Other Current Liabilities	2,223	214	2,437
Total Current Liabilities	42,228	8,971	51,199
Noncurrent Liabilities			
Loan Payable	-	39,374	39,374
Total Noncurrent Liabilities	-	39,374	39,374
TOTAL LIABILITIES	42,228	48,345	90,573
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	13,433	-	13,433
TOTAL DEFERRED INFLOWS OF RESOURCES	13,433	-	13,433
NET POSITION			
Net Investment in Capital Assets	2,574,791	838,989	3,413,780
Restricted for:	-	-	-
TABOR	-	-	-
Conservation Trust Fund	4,317	-	4,317
Unrestricted	529,507	183,345	712,852
TOTAL NET POSITION	\$ 3,108,615	\$ 1,022,334	\$ 4,130,949

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

TOWN OF CRESTONE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues		Primary Government			
	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses					
Primary Government:						
Governmental Activities:						
General Government	\$ 462,593	\$ 37,679	\$ 21,743	\$ (403,171)	\$ -	\$ (403,171)
Public Works	138,679	-	-	(138,679)	-	(138,679)
Highways and Streets	10,127	-	-	(10,127)	-	(10,127)
Culture and Recreation	16,922	-	-	(16,922)	-	(16,922)
Health and Welfare	344	-	-	(344)	-	(344)
Total Governmental Activities	628,665	37,679	21,743	(569,243)	-	(569,243)
Business-Type Activities						
Water	111,322	51,038	-	-	(60,284)	(60,284)
Sewer	112,988	49,256	60,941	-	(2,791)	(2,791)
Total Business-Type Activities	224,310	100,294	60,941	-	(63,075)	(63,075)
Total Primary Government	\$ 852,975	\$ 137,973	\$ 82,684	\$ (569,243)	\$ (63,075)	\$ (632,318)
General Revenues:						
Taxes						
General Property Taxes				14,863	-	14,863
Sales Taxes				493,905	88,776	582,681
Other Taxes				50,131	-	50,131
Interest on Accounts				450	399	849
Total General Revenues				559,349	89,175	648,524
				(9,894)	26,100	16,206
Change in Net Position						
Net Position - Beginning of Year, As Previously Stated				3,112,713	1,035,965	4,148,678
Prior Period Adjustment				5,796	(39,731)	(33,935)
Net Position, Beginning of Year, Restated				3,118,509	996,234	4,114,743
Net Position - End of Year				\$ 3,108,615	\$ 1,022,334	\$ 4,130,949

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

**TOWN OF CRESTONE
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2022**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 475,638	\$ 4,317	\$ 479,955
Property Taxes Receivable	13,433	-	13,433
Sales Tax Receivable	92,898	-	92,898
Accounts Receivable	3,403	-	3,403
Due From Other Funds	(204)	-	(204)
TOTAL ASSETS	\$ 585,168	\$ 4,317	\$ 589,485
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 20	\$ -	\$ 20
Payroll Taxes Payable	14,922	-	14,922
Due to Other Funds	8,965	-	8,965
Rental Deposits	2,504	-	2,504
Other Current Liabilities	2,223	-	2,223
Unearned Revenue	13,594	-	13,594
TOTAL LIABILITIES	42,228	-	42,228
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue- Property Taxes	13,433	-	13,433
 FUND BALANCE			
Restricted			
TABOR Reserve	28,892	-	28,892
Conservation Trust Fund	-	4,317	4,317
Assigned:			
Designated for Future Use	94,846	-	94,846
Unassigned	405,769	-	405,769
TOTAL FUND BALANCE	529,507	4,317	533,824
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
FUND BALANCE	\$ 585,168	\$ 4,317	\$ 589,485

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

TOWN OF CRESTONE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2022

Total governmental fund balances	\$ 533,824
 Amounts reported for governmental activities in the statement of net position are different because:	
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	 <u>2,574,791</u>
Net position of governmental activities	 <u><u>\$ 3,108,615</u></u>

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

TOWN OF CRESTONE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 533,640	\$ -	\$ 533,640
Intergovernmental Revenue	23,417	1,842	25,259
Licenses and Permits	-	-	-
Grant Revenue	21,743	-	21,743
Interest on Accounts	445	5	450
Charges for Sales and Services	37,679	-	37,679
Miscellaneous	-	-	-
TOTAL REVENUES	<u>616,924</u>	<u>1,847</u>	<u>618,771</u>
EXPENDITURES			
General Government	462,593	-	462,593
Public Works	138,679	-	138,679
Highways and Streets	10,127	-	10,127
Culture and Recreation	16,922	-	16,922
Health and Welfare	344	-	344
Capital Outlay	275,474	-	275,474
TOTAL EXPENDITURES	<u>904,139</u>	<u>-</u>	<u>904,139</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(287,215)</u>	<u>1,847</u>	<u>(285,368)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In			
Transfers Out			
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	<u>(287,215)</u>	<u>1,847</u>	<u>(285,368)</u>
Fund Balances at Beginning of Year	704,182	2,470	706,652
Prior Period Adjustment	5,796	-	5,796
Fund Balances, Beginning of Year, Restated	<u>709,978</u>	<u>2,470</u>	<u>712,448</u>
Current Year Adjustment	(16,994)	-	(16,994)
Fund Balances at End of Year	<u>\$ 405,769</u>	<u>\$ 4,317</u>	<u>\$ 410,086</u>

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

TOWN OF CRESTONE
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, 2022

Net change in fund balances - total governmental funds \$ 148,469

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.

Capital asset additions	\$ 275,474	
Depreciation expense	<u>(117,111)</u>	
		<u>158,363</u>
Change in net position of governmental activities		<u>\$ (9,894)</u>

**TOWN OF CRESTONE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 December 31, 2022**

		<u>WATER AND SEWER FUND</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	162,252
Accounts Receivable		11,785
Due From General Fund		9,308
Other		-
Total Current Assets		<u>183,345</u>
Noncurrent Assets		
Land		16,847
Construction in Progress		-
Utility System		1,484,990
Less: Accumulated Depreciation		(614,503)
Total Noncurrent Assets		<u>887,334</u>
TOTAL ASSETS		<u><u>1,070,679</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable		139
Loan Payable		8,618
Other Current Liability		214
Total Current Liabilities		<u>8,971</u>
Noncurrent Liabilities		
Loan Payable		39,374
Total Noncurrent Liabilities		<u>39,374</u>
TOTAL LIABILITIES		<u>48,345</u>
Net Position		
Net Investment in Capital Assets		838,989
Restricted		
TABOR Reserve		-
Unrestricted		183,345
TOTAL NET POSITION	\$	<u><u>1,022,334</u></u>

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

**TOWN OF CRESTONE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 For the Year Ended December 31, 2022**

	WATER AND SEWER FUND
OPERATING REVENUES	
Taxes	\$ 88,776
Charges for Services	100,294
Total Operating Revenues	189,070
OPERATING EXPENSES	
Salaries and Benefits	62,011
Professional Services	97,618
Equipment & Tools	10,026
Supplies	1,628
Repairs and Maintenance	6,910
Miscellaneous	982
Depreciation	42,343
Total Operating Expenses	221,518
Operating Income (Loss)	(32,448)
NONOPERATING REVENUES (EXPENSES)	
Interest on Accounts	399
Interest Expense	(2,792)
Total Nonoperating Revenues (Expenses)	(2,393)
Net Income (Loss) Before Other Revenue	(34,841)
CAPITAL CONTRIBUTIONS	
Wastewater Capital Project	60,941
Total Capital Contributions	60,941
Net Income (Loss)	26,100
Net Position, Beginning of Year, As Previously Stated	1,035,965
Prior Period Adjustment	(39,731)
Net Position, Beginning of Year, Restated	996,234
Net Position, End of Year	\$ 1,022,334

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

TOWN OF CRESTONE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS For
the Year Ended December 31, 2022

	WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 56,923
Cash Received from Taxes	88,776
Cash Payments to Suppliers for Goods and Services	(117,164)
Cash Payments to Employees for Services	(62,011)
	(33,476)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(33,476)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net Cash Used for Wastewater Capital Project	(4,597)
Interest Paid on Loan Payable	(2,792)
Principal Paid on Loan Payable	(8,207)
	(15,596)
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(15,596)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Accounts	399
	399
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	399
Net Increase (Decrease) in Cash and Cash Equivalents	(48,673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	210,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 162,252
Operating Income (Loss)	\$ (32,448)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	42,343
Changes in Assets and Liabilities	(43,371)
	(33,476)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (33,476)

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

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town of Crestone (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 in 1902, and became a statutory town under State Statute (CRS 31-1-101). The Town operates under Mayor-Council form of government and provides the following services as authorized by its charter: highways and streets, culture and recreation, planning and zoning, water and sewer systems, 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 Crestone 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. 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.

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

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

- 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement is also used for the proprietary fund financial statements. 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.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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 Town reports the following major proprietary fund:

- The *Enterprise Fund* accounts for user charges and expenses for operating, financing, and maintaining the Town's water and sewer systems.

Proprietary fund financial statements are used to account for activities similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. Expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

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

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The Town's property taxes are collected by the County Treasurer who remits monthly receipts to the Town. Property tax revenue is recognized when received by the County Treasurer. The 2022 property tax levy due January 1, 2023, has been recorded in the financial statements as a receivable and corresponding deferred inflow of resources.

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 construction in progress, land, infrastructure, buildings and improvements, vehicles, machinery and equipment, and water and sewer system, are reported in the applicable governmental or 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. 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 asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-50
Infrastructure	20
Vehicles and Equipment	2-15

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/fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

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

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 an expense.

Compensated Absences

The Town does not accrue sick and personal days for employees. The Town does accrue vacation days for employees; however, the liability is deemed to be immaterial and is not recorded in the financial statements.

Unearned Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be 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.
- *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.

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

- *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.

Reclassifications

Certain amounts in 2021 have been reclassified to conform to the 2022 financial statement presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) 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. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

(GAAP). Proprietary funds present a reconciliation to the GAAP-basis. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Town did not adopt supplemental appropriations during fiscal year 2022.

NOTE 3 CASH AND DEPOSITS

A summary of cash and deposits for the Town are as follows:

Cash on Hand and in Banks	\$ 642,207
Total cash and deposits on the Statement of Net Position	\$ 642,207

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 equal to the aggregate uninsured deposits. All deposits were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989 during 2022.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At December 31, 2022, \$170,508 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2022, the Town had an estimated property tax receivable of \$13,433.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The Town reported interfund receivable and payable balances from the General Fund to the Water and Sewer Fund. Grant funds were directly deposited into the General for the Water and Sewer Fund. The General Fund will transfer the funds in 2023.

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 9,308

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

Interfund transfers for the year ended December 31, 2022 were as follows:

Transfer Out	Transfer In	Amount
Conservation Trust Fund	General Fund	\$ -

This transfers were to reimburse the General Fund.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Land	\$ 422,855	\$ 262,431	\$ -	\$ 685,286
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	422,855	262,431	-	685,286
Capital assets being depreciated				
Buildings and Improvements	866,554	13,043	-	879,597
Infrastructure	1,738,680	-	-	1,738,680
Vehicles and Equipment	90,456	10,366	-	100,822
Total capital assets being depreciated	2,695,690	23,409	-	2,719,099
Less accumulated depreciation for:				
Buildings and Improvements	211,210	21,154	-	232,364
Infrastructure	473,875	86,390	-	560,265
Vehicles and Equipment	27,398	9,567	-	36,965
Total accumulated depreciation	712,483	117,111	-	829,594
Total capital assets being depreciated	1,983,207	(93,702)		1,889,505
Governmental Activities Capital Assets, net	\$ 2,406,062	\$ 168,729	\$ -	\$ 2,574,791

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<i>Business-type Activities:</i>				
Capital Assets not being depreciated				
Land	\$ 16,847	\$ -	\$ -	\$ 16,847
Construction In Progress	-	-	-	-
Total capital assets not being depreciated	<u>16,847</u>	<u>-</u>	<u>-</u>	<u>16,847</u>
Capital Assets being depreciated				
Utility System	1,419,454	65,536	-	1,484,990
Less: Accumulated Depreciation	572,159	42,343	-	614,503
Total capital assets being depreciated	<u>847,295</u>	<u>23,193</u>	<u>-</u>	<u>870,488</u>
Business-type Activities Capital Assets, net	<u>\$ 864,142</u>	<u>\$ 23,193</u>	<u>\$ -</u>	<u>\$ 887,334</u>

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

<i>Governmental activities:</i>	
General Government	\$ 49,985
Public Works	4,143
Highways and Streets	55,499
Culture and Recreation	7,484
Total depreciation expense – governmental activities	<u>\$ 117,111</u>
<i>Business-type activities:</i>	
Water	\$ 26,126
Sewer	16,217
Total depreciation expense – business-type activities	<u>\$ 42,343</u>

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022	Due Within One Year
<i>Business-type Activities:</i>					
Loan Payable	\$ 56,199	\$ -	\$ 8,207	\$ 47,992	\$ 8,618

Business-type Activities - Loan Payable

The Town entered into a loan payable of \$138,220 in 2007, payable in annual installments of \$10,999, beginning in 2008, at an interest rate of 5%, for the Crestone Water System Phase I. This capital asset is recorded as part of the Utility System in the Water and Sewer Fund.

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

The annual payment requirements are based on the entire loan balance and are as follows:

	Principal	Interest	Total
2023	\$ 8,618	\$ 2,381	\$ 10,999
2024	9,049	1,950	10,999
2025	9,501	1,498	10,999
2026	9,976	1,023	10,999
2027	10,848	524	11,372
Total	\$ 47,992	\$ 7,376	\$ 55,368

NOTE 8 SEGMENT INFORMATION FOR THE PROPRIETARY FUND

The following is a summary of operating income and expense and portion of balance sheet information on the water and sewer segments of the proprietary fund. All services are provided from a single proprietary fund.

	WATER	SEWER	TOTAL
Taxes	\$ 44,388	\$ 44,388	\$ 88,776
Charges for Services	51,038	49,256	100,294
Total Operating Revenue	95,426	93,644	189,070
Operating Expense	57,336	121,839	179,175
Depreciation	26,126	16,217	42,343
Total Operating Expense	83,462	138,056	221,518
Operating Income (Loss)	11,964	(44,412)	(32,448)
Non-Operating Revenue/(Expense)			
Interest on Accounts	184	215	399
Interest Expense	(2,792)	-	(2,792)
Total Non-Operating Expense	(2,608)	215	(2,393)
Income (Loss) Before Other Revenues	9,356	(44,197)	(34,841)
Capital Contributions (Wastewater Project)	-	60,941	60,941
Change in Net Position	\$ 9,356	\$ 16,744	26,100
Net Position at Beginning of Year, As Previously Stated			1,035,965
Prior Period Adjustment			(39,731)
Net Position at Beginning of Year, Restated			996,234
Net Position at End of Year			\$ 1,022,334

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
Assets			
Current Assets			
CDs and Savings Accounts	\$ 21,724	\$ 57,487	\$ 79,211
Noncurrent Assets			
Land	\$ 11,847	\$ 5,000	\$ 16,847
Construction in Progress	-	-	-
Utility System	795,848	689,142	1,484,990
Accumulated Depreciation	(319,302)	(295,201)	(614,503)
Total Capital Assets (Net)	<u>\$ 488,393</u>	<u>\$ 398,941</u>	<u>\$ 887,334</u>

NOTE 9 TABOR EMERGENCY 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.

In November 1998, the voters of the Town approved a ballot issue to allow the Town “to collect, retain or expend all revenues and other funds received from any source, notwithstanding any restriction or limit on fiscal year revenue or spending generated during 1988 and each subsequent year thereafter, without limiting the restrictions of Article X, Section 20 of the Colorado Constitution”.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. The Emergency Reserve has been presented as restricted fund balance/net position in the financial statements. The Town is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On April 2, 2020, the voters approved an increase to sales tax of 0.5% of which the proceeds will be allocated to the Water and Sewer Fund for operational expenses. The sales tax revenue exceeds the TABOR enterprise designation requirements, therefore an emergency reserve has been established for the Water and Sewer Fund as well as the General Fund.

NOTE 10 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 four prior years.

TOWN OF CRESTONE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 COMMITMENTS AND CONTINGENCIES

Grants

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, if any, which may be disallowed by the granting agencies, cannot be determined at this time although the Town expects such amounts to be immaterial.

Litigation

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

TOWN OF CRESTONE

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.

TOWN OF CRESTONE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2022

	BUDGETED		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	FINAL	ACTUAL	
REVENUES			
Taxes	\$ 640,980	\$ 533,640	\$ (107,340)
Intergovernmental	22,417	23,417	1,000
Licenses and Permits	7,650	-	(7,650)
Grant Revenue	756,594	21,743	(734,851)
Interest on Accounts	-	445	445
Charges for Sales and Services	15,670	37,679	22,009
Miscellaneous	-	-	-
TOTAL REVENUES	1,443,311	616,924	(826,387)
EXPENDITURES			
General Government	645,018	462,593	182,425
Public Works	172,500	138,679	33,821
Highways and Streets	57,000	10,127	46,873
Culture and Recreation	83,345	16,922	66,423
Health and Welfare	222,000	344	221,656
Capital Outlay	500,000	275,474	224,526
TOTAL EXPENDITURES	1,679,863	904,139	775,724
Excess (Deficiency) of Revenues over Expenditures	(236,552)	(287,215)	(50,663)
OTHER FINANCING SOURCES (USES)			
Transfer In	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)		(287,215)	
Fund Balance at Beginning of Year		<u>692,984</u>	
Fund Balance at End of Year		<u>\$ 405,769</u>	

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

TOWN OF CRESTONE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
For the Year Ended December 31, 2022

	BUDGETED	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	FINAL	ACTUAL	(NEGATIVE)
REVENUES			
Intergovernmental Revenue			
Lottery Funds	\$ 1,700	\$ 1,842	\$ 142
Interest on Accounts	-	5	5
TOTAL REVENUES	1,700	1,847	147
EXPENDITURES			
Culture and Recreation			
Maintenance	-	-	-
TOTAL EXPENDITURES	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	1,700	1,847	147
OTHER FINANCING SOURCES (USES)			
Transfer Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)		1,847	
Fund Balance at Beginning of Year		2,470	
Fund Balance at End of Year		\$ 4,317	

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

TOWN OF CRESTONE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
PROPRIETARY FUND TYPE - WATER AND SEWER FUND
For the Year Ended December 31, 2022

	BUDGETED		VARIANCE WITH
	FINAL	ACTUAL	FINAL BUDGET
			POSITIVE
			(NEGATIVE)
OPERATING REVENUES			
Taxes	\$ 85,714	\$ 88,776	\$ 3,062
Charges for Services	92,750	100,294	7,544
Total Operating Revenues	178,464	189,070	10,606
OPERATING EXPENSES			
Salaries and Benefits	34,275	62,011	(27,736)
Purchased Services	33,638	97,618	(63,980)
Equipment and Tools	42,000	10,026	31,974
Supplies	19,259	1,628	17,631
Repairs and Maintenance	4,000	6,910	(2,910)
Miscellaneous	100,609	982	99,627
Total Operating Expenses	233,781	179,175	54,606
Operating income (loss)	(55,317)	9,895	65,212
NONOPERATING REVENUES (EXPENSES)			
Grant Revenue	625,000	-	(625,000)
Grant Expense	(625,000)	-	625,000
Interest on Accounts	360	399	39
Interest Expense	(10,999)	(2,792)	8,207
Total Nonoperating Revenues (Expenses)	(10,639)	(2,393)	8,246
CAPITAL CONTRIBUTIONS			
Wastewater Capital Project	(46,308)	60,941	107,249
Total capital contributions	(46,308)	60,941	107,249
Net Income - Budget Basis	(112,264)	68,443	180,707
Less: Depreciation		(42,343)	
Net Income (Loss)		26,100	
Net Position at Beginning of Year, As Previously Stated		1,035,965	
Prior Period Adjustment		(39,731)	
Net Position at Beginning of Year, Restated		996,234	
Net Position at End of Year		\$ 1,022,334	