

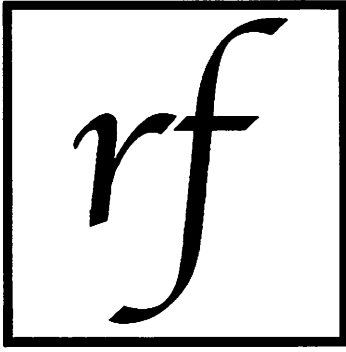
Town of Crestone, Colorado
Financial Statements
December 31, 2023

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Independent Auditor's Report

Board of Trustees
Town of Crestone
Crestone, CO

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Crestone (the "Town"), of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a

rfarmer, llc

a certified¹ public accounting and consulting firm

going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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

Accounting principles generally accepted in the United States of America require that the required supplementary information on page 22, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit the management’s discussion and analysis. Although not a part of the basic financial statements, it 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. The omission of this information does not affect our opinion on the basic financial statements.

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 supplementary information on pages 23 through 27 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

April 21, 2025

Basic Financial Statements

**Town of Crestone
Statement of Net Position
December 31, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Equivalents	\$ 636,878	\$ 79,520	\$ 716,398
Receivables	115,736	11,785	127,521
Internal Balances	(95,748)	95,748	-
Capital Assets:			
Land	685,286	50,055	735,341
Infrastructure	1,738,680	-	1,738,680
Buildings	879,597	-	879,597
Equipment	100,822	1,484,990	1,585,812
Less: Accumulated Depreciation	(946,705)	(656,846)	(1,603,551)
Total Capital Assets	<u>2,457,680</u>	<u>878,199</u>	<u>3,335,879</u>
 Total Assets	 <u>3,114,546</u>	 <u>1,065,252</u>	 <u>4,179,798</u>
LIABILITIES			
Accounts payable and accrued expenses	24,111	353	24,464
Customer deposits	3,304	-	3,304
Long-term liabilities:			
Due within one year:			
Bonds and loans payable	-	9,050	9,050
Due in more than one year:			
Bonds and loans payable	-	30,325	30,325
Total liabilities	<u>27,415</u>	<u>39,728</u>	<u>67,143</u>
Deferred Inflow of Resources--property taxes	<u>13,433</u>	<u>-</u>	<u>13,433</u>
Total deferred inflow of resources	<u>13,433</u>	<u>-</u>	<u>13,433</u>
NET POSITION			
Net Investment in capital assets	2,457,680	838,824	3,296,504
Restricted for:			
TABOR	18,000	-	18,000
Unrestricted	598,018	186,700	784,718
Total net position	<u>\$ 3,073,698</u>	<u>\$ 1,025,524</u>	<u>\$ 4,099,222</u>

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

Town of Crestone
Statement of Activities
For the Year Ended December 31, 2023

	Net (Expense) Revenue and Changes in Net Position			
	Program Revenue	Governmental Activities	Business-type Activities	Total
Functions/Programs	Charges for Services	Operating Grants and Contributions	Primary Government	
Primary Government	Expenses	Expenses	Expenses	Expenses
Governmental Activities				
General Government	\$ 613,761	\$ 17,838	\$ 1,296	\$ (594,627)
Public Safety	7,231	-	-	(7,231)
Public Works	197,958	-	-	(197,958)
Culture and Recreation	207	-	2,095	1,888
Total Governmental Activities	<u>819,157</u>	<u>17,838</u>	<u>3,391</u>	<u>(797,928)</u>
Business-type activities:				
Enterprise Fund	146,407	149,261	-	2,854
Total Business-type Activities	<u>146,407</u>	<u>149,261</u>	<u>-</u>	<u>2,854</u>
Total Primary Government	<u>\$ 965,564</u>	<u>\$ 167,099</u>	<u>\$ 3,391</u>	<u>(797,928)</u>
				<u>2,854</u>
				<u>2,854</u>
				<u>(795,074)</u>
				<u>15,786</u>
				<u>590,579</u>
				<u>25,664</u>
				<u>2,492</u>
				<u>110,791</u>
				<u>97</u>
				<u>433</u>
				<u>17,602</u>
				<u>763,347</u>
				<u>3,190</u>
				<u>1,022,334</u>
				<u>\$ 4,130,949</u>
				<u>\$ 4,099,222</u>
				<u>15,786</u>
				<u>590,579</u>
				<u>25,664</u>
				<u>2,492</u>
				<u>110,791</u>
				<u>97</u>
				<u>433</u>
				<u>17,602</u>
				<u>763,347</u>
				<u>3,190</u>
				<u>1,022,334</u>
				<u>\$ 4,130,949</u>
				<u>\$ 4,099,222</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes	15,786
Sales taxes	590,579
Highway Users and other misc. funds	25,664
Specific Ownership Taxes	2,492
Grants and contributions	110,791
Unrestricted investment earnings	97
Miscellaneous	17,602

Total general revenues, special items, and transfers

Change in net position

Net Position - Beginning

Net Position - Ending

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

**Town of Crestone
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 504,517	\$ 64,493	\$ 569,010
Investments	67,869	-	67,869
Taxes receivable, net	91,089	6,324	97,413
Due from other funds	-	31,339	31,339
Other receivables	18,323	-	18,323
Total assets	<u>681,798</u>	<u>102,156</u>	<u>783,954</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	24,111	-	24,111
Due to other funds	127,087	-	127,087
Security deposits	3,304	-	3,304
Total liabilities	<u>154,502</u>	<u>-</u>	<u>154,502</u>
Deferred Cash Inflow of Resources:			
Deferred property taxes	13,433	-	13,433
Fund Balance:			
Reserved for:			
TABOR	18,000	-	18,000
Unassigned	495,863	-	495,863
Assigned, reported in non-major: special revenue funds	-	102,156	102,156
Total fund balances	<u>513,863</u>	<u>102,156</u>	<u>616,019</u>
Total liabilities and fund balances	<u>\$ 681,798</u>	<u>\$ 102,156</u>	<u>\$ 783,954</u>

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

Town of Crestone
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2023

Total fund balance, governmental funds	\$ 616,019
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	<u>2,457,679</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 3,073,698</u></u>

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

Town of Crestone
Statement of Revenues, Expenditures and Changes in Net Position
Governmental Funds
For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 15,786	\$ -	\$ 15,786
SO Tax	2,492	-	2,492
Sales taxes	616,242	95,713	711,955
Licenses and permits	8,048	-	8,048
Intergovernmental	16,375	2,095	18,470
Charges for services	17,898	-	17,898
Investment earnings	2,236	31	2,267
Miscellaneous	7,325	-	7,325
Total revenues	<u>686,402</u>	<u>97,839</u>	<u>784,241</u>
EXPENDITURES			
Current:			
General government	463,746	-	463,746
Public safety	24,522	-	24,522
Public works	196,669	-	196,669
Culture and recreation	17,109	-	17,109
Total Expenditures	<u>702,046</u>	<u>-</u>	<u>702,046</u>
Excess (deficiency) of revenues over expenditures	<u>(15,644)</u>	<u>97,839</u>	<u>82,195</u>
Net change in fund balances	(15,644)	97,839	82,195
Fund balances - beginning	529,507	4,317	533,824
Fund balances - ending	<u>\$ 513,863</u>	<u>\$ 102,156</u>	<u>\$ 616,019</u>

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

Town of Crestone
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Net Positions of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances - total governmental funds: \$ 82,195

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$0 was less than depreciation of \$117,112 in the current period.

(117,112)

Change in net positions of governmental activities

\$ (34,917)

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

**Town of Crestone
Statement of Net Position
Proprietary Funds
December 31, 2023**

	Water and Sewer Fund
ASSETS	
Current assets:	
Certificates of Deposit	\$ 79,520
Accounts Receivable, net	11,785
Due from other funds	106,748
Total current assets	198,053
Non-current assets:	
Capital Assets:	
Land and improvements	50,055
Enterprise System Assets	1,484,990
Less Accumulated depreciation	(656,846)
Total non-current assets	878,199
Total assets	1,076,252
 LIABILITIES	
Current Liabilities:	
Accounts payable	353
Due to other funds	11,000
Bonds and loans payable	9,050
Total current liabilities	20,403
Non-current liabilities:	
Bonds and loans payable	30,325
Total non-current liabilities	30,325
Total liabilities	50,728
 NET POSITION	
Net Investment in capital assets	838,824
Unrestricted	186,700
Total Net Position	\$ 1,025,524

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

Town of Crestone
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2023

	Water and Sewer Fund
REVENUES	
Charges for services-Wastewater	\$ 149,261
Total operating revenues	149,261
OPERATING EXPENSES	
Power and water purchased	69,048
Repairs and maintenance	32,635
Depreciation	42,343
Total Operating Expenses	144,026
Operating income (loss)	5,235
NON-OPERATING REVENUES (EXPENSES)	
Interest income	336
Interest expense	(2,381)
Total non-operating revenue (expenses)	(2,045)
Income (loss) before contributions and transfers	3,190
Change in net assets	3,190
Total net position - beginning	1,022,334
Total net position - ending	\$ 1,025,524

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

Town of Crestone
Statement of Cash Flows-Proprietary Fund
For the year ended December 31, 2023

	Business-Type Activities Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 149,261
Payments to suppliers	<u>(101,683)</u>
Net cash provided (used) in operating activities	<u>47,578</u>
Cash Flows from Capital Related Financing Activities	
Principal repayments on long-term debt	(8,617)
Interest paid on long-term debt	(2,381)
Change in due to due from balances	(85,380)
Purchase of assets	<u>(34,268)</u>
Net cash provided (used) in financing activities	<u>(130,646)</u>
Cash Flows from Investing Activities	
Interest received on Investments	<u>336</u>
Net cash provided (used) in investing activities	<u>336</u>
Net Increase (Decrease) in cash and cash equivalents	(82,732)
Beginning of the year cash	<u>162,252</u>
Ending of the year cash	<u>79,520</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	5,235
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	42,343
Net cash provided (used) from operating activities	<u>\$ 47,578</u>

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

Required Supplementary Information

Town of Crestone, Colorado
Notes to the Financial Statements
December 31, 2023

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 (C.R.S. 31-1-101). The Town operates under a 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.
- 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 and Basis of Accounting

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 fund:

- 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 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.

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 2023 property tax levy due January 1, 2024, 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>
Building 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.

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.

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, granters, 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.

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

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 (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 2023.

Note 3 Cash and Deposits

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

Cash on hand and in banks	\$ 716,398
Total cash and deposits on the Statement of Net Position	<u>\$ 716,398</u>

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.

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, 2023, \$466,398 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, 2023, the Town had an estimated property tax receivable of \$13,433.

Note 5 Interfund Receivables, 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 2024.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	<u>\$9,308</u>

Note 6 Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	<u>Governmental Activities:</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	
Non-Depreciable Assets:				
Land	\$ 685,286	\$ -	\$ -	\$ 685,286
Depreciable Assets:				
Buildings and Improvements	879,597	-	-	879,597
Infrastructure	1,738,680	-	-	1,738,680
Vehicles and Equipment	100,822	-	-	100,822
Total Depreciable Assets	2,719,099	-	-	2,719,099
Less Accumulated Depreciation	(829,594)	(117,111)	-	(946,705)
Net Depreciable Assets	1,889,505	(117,111)	-	1,772,394
Net Capital Assets	<u>\$ 2,574,791</u>	<u>\$ (117,111)</u>	<u>\$ -</u>	<u>\$ 2,457,680</u>

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

Governmental Activities:	
General Government	\$ 49,985
Public Works	4,143
Highways and Streets	55,499
Culture and Recreation	7,484
Total	\$ 117,111

	Business-Type Activities:			
	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Assets:				
Land	\$ 16,847	\$ 33,207	\$ -	\$ 50,054
Depreciable Assets:				
Utility System	1,484,990	-	-	1,484,990
Less Accumulated Depreciation	(614,503)	(42,343)	-	(656,846)
Net Depreciable Assets	870,487	(42,343)	-	828,144
Net Capital Assets	\$ 887,334	\$ (9,136)	\$ -	\$ 878,198

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

Business-Type Activities:	
Enterprise Fund	\$ 42,343

Note 7 Long-Term Liabilities

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 Phase I.

	Principal	Interest	Total
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	\$ 39,374	\$ 4,995	\$ 44,369

A summary of long-term debt is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due In One Year
Loan Payable	\$ 47,992	\$ -	\$ (8,618)	\$ 39,374	\$ 9,049

Note 8**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 a 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.

Note 9**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
Budget and Actual
General Fund
For the year ended December 31, 2023**

	Budgets--Original and Final	Actual Amounts, Budgetary Basis
REVENUES		
Property taxes	\$ 13,433	\$ 15,786
SO taxes	2,400	2,492
Sales taxes	469,500	616,242
Licenses and permits	7,900	8,048
Intergovernmental	24,777	16,375
Charges for services	1,500	17,898
Contributions and grants	1,535,003	-
Investment earnings	-	2,236
Miscellaneous	29,690	7,325
Total revenues	<u>2,084,203</u>	<u>686,402</u>
EXPENDITURES		
Current:		
General government	30,978	463,746
Public safety	248,022	24,522
Public works	806,644	196,669
Culture and recreation	18,000	17,109
Capital Outlay	1,123,000	-
Total Expenditures	<u>2,226,644</u>	<u>702,046</u>
Excess (deficiency) of revenues over expenditures	<u>(142,441)</u>	<u>(15,644)</u>
Net change in fund balances	(142,441)	(15,644)
Fund balances - beginning	-	529,507
Fund balances - ending	<u>\$ (142,441)</u>	<u>\$ 513,863</u>

Other Supplementary Information

**Town of Crestone
Budget and Actual
Conservation Trust Fund
For the year ended December 31, 2023**

	<u>Budgets--Original and Final</u>	<u>Actual Amounts, Budgetary Basis</u>
REVENUES		
Intergovernmental	\$ 1,800	\$ 2,095
Investment earnings	-	16
Total revenues	<u>1,800</u>	<u>2,111</u>
EXPENDITURES		
Total Expenditures	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,800</u>	<u>2,111</u>
Net change in fund balances	1,800	2,111
Fund balances - beginning	-	4,317
Fund balances - ending	<u>\$ 1,800</u>	<u>\$ 6,428</u>

**Town of Crestone
Budget and Actual
Capital Projects
For the year ended December 31, 2023**

	<u>Budgets--Original and Final</u>	<u>Actual Amounts, Budgetary Basis</u>
REVENUES		
Sales taxes	\$ 82,000	\$ 58,050
Investment earnings	60	15
Total revenues	<u>82,060</u>	<u>58,065</u>
EXPENDITURES		
Total Expenditures	-	-
Excess (deficiency) of revenues over expenditures	<u>82,060</u>	<u>58,065</u>
Net change in fund balances	82,060	58,065
Fund balances - beginning	-	-
Fund balances - ending	<u>\$ 82,060</u>	<u>\$ 58,065</u>

**Town of Crestone
Budget and Actual
Water and Sewer Fund
For the year ended December 31, 2023**

	<u>Budgets--Original and Final</u>	<u>Actual Amounts, Budgetary Basis</u>
REVENUES		
Intergovernmental	\$ 572,700	\$ -
Charges for Services	164,820	149,261
Investment earnings	-	336
Total revenues	<u>737,520</u>	<u>149,597</u>
OPERATING EXPENSES		
Personal services	85,933	-
Contractual services	3,000	-
Purchased power	-	69,048
Operations	207,691	118,015
Depreciation	-	42,343
Capital Outlay	500,000	-
Interest	-	2,381
Water operations including debt service	10,999	8,618
Total Operating Expenses	<u>807,623</u>	<u>240,405</u>
Operating income (loss)	<u>(70,103)</u>	<u>(90,808)</u>
RECONCILING ITEMS		
Adjustment for debt service	-	8,618
Net change in fund balances	<u>(70,103)</u>	<u>(82,190)</u>
Fund balances - beginning	-	1,022,334
Fund balances - ending	<u>\$ (70,103)</u>	<u>\$ 940,144</u>

**Town of Crestone
Balance Sheet
Other Governmental Funds
December 31, 2023**

	Conservation Trust Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,428	\$ 58,065	\$ 64,493
Total assets	6,428	58,065	64,493
 LIABILITIES AND NET POSITIONS			
Total liabilities	-	-	-
 Net Positions:			
Assigned	6,428	58,065	64,493
Total net positions	6,428	58,065	64,493
Total liabilities and fund balances	\$ 6,428	\$ 58,065	\$ 64,493

Town of Crestone
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>Conservation Trust Fund</u>	<u>Capital Projects</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Sales taxes	\$ -	\$ 58,050	\$ 58,050
Intergovernmental	2,095	-	2,095
Investment earnings	16	15	31
Total revenues	<u>2,111</u>	<u>58,065</u>	<u>60,176</u>
EXPENDITURES			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,111</u>	<u>58,065</u>	<u>60,176</u>
Net change in fund balances	2,111	58,065	60,176
Fund balances - beginning	<u>4,317</u>	<u>-</u>	<u>4,317</u>
Fund balances - ending	<u><u>\$ 6,428</u></u>	<u><u>\$ 58,065</u></u>	<u><u>\$ 64,493</u></u>