

TOWN OF DEL NORTE
FINANCIAL STATEMENTS
December 31, 2019



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Honorable Mayor and Board of Trustees
Town of Del Norte
Del Norte, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Del Norte (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Del Norte, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are the responsibility of management and were derived from and

relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules, the schedule of expenditures of federal awards, and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 06, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 06, 2020

TOWN OF DEL NORTE
BASIC FINANCIAL STATEMENTS

TOWN OF DEL NORTE
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government		
	Governmental	Business-Type	TOTAL
	Activities	Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,091,731	\$ 1,478,285	\$ 4,570,016
Accounts Receivable	5,794	131,392	137,186
Due from Other Governments	101,495	565,296	666,791
Property Taxes Receivable	128,761	-	128,761
Inventories	-	62,169	62,169
Other Assets	555	-	555
Total Current Assets	3,328,336	2,237,142	5,565,478
Capital Assets			
Land and Land Improvements	498,356	-	498,356
Construction in Progress	-	6,074,988	6,074,988
Buildings and Improvements	1,116,085	-	1,116,085
Utility System	-	3,477,261	3,477,261
Infrastructure	371,493	1,119,994	1,491,487
Machinery and Equipment	543,971	473,025	1,016,996
Vehicles	363,463	-	363,463
Less: Accumulated Depreciation	(1,550,692)	(2,830,484)	(4,381,176)
Total Capital Assets	1,342,676	8,314,784	9,657,460
TOTAL ASSETS	4,671,012	10,551,926	15,222,938
LIABILITIES			
Current Liabilities			
Accounts Payable	12,038	196,525	208,563
Notes Payable	-	46,599	46,599
Sales Tax Revenue Bonds	45,000	-	45,000
Total Current Liabilities	57,038	243,124	300,162
Long-Term Liabilities			
Compensated Absences	34,625	28,811	63,436
Notes Payable	-	4,847,127	4,847,127
Sales Tax Revenue Bonds	50,000	-	50,000
Total Long-Term Liabilities	84,625	4,875,938	4,960,563
TOTAL LIABILITIES	141,663	5,119,062	5,260,725
DEFERRED INFLOWS OF RESOURCES - CURRENT			
Unavailable Revenue - Grant Revenue	2,447	-	2,447
Unavailable Revenue - Property Tax	128,761	-	128,761
TOTAL DEFERRED INFLOWS OF RESOURCES	131,208	-	131,208

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

TOWN OF DEL NORTE
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	TOTAL
NET POSITION			
Net Investment in Capital Assets	1,247,676	3,421,058	4,668,734
Restricted for:			
TABOR	36,000	-	36,000
Debt Service	103,024	-	103,024
Unrestricted	3,011,441	2,011,806	5,023,247
TOTAL NET POSITION	\$ 4,398,141	\$ 5,432,864	\$ 9,831,005

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

TOWN OF DEL NORTE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Primary Government							
Governmental Activities							
General Government	\$ 170,523	\$ 35,126	\$ -	\$ -	\$ (135,397)	\$ -	\$ (135,397)
Public Safety	345,234	11,574	-	-	(333,660)	-	(333,660)
Highways and Streets	234,096	260	93,131	-	(140,705)	-	(140,705)
Health and Welfare	6,894	5,425	-	-	(1,469)	-	(1,469)
Culture and Recreation	27,926	-	11,999	-	(15,927)	-	(15,927)
Interest Expense	8,565	-	-	-	(8,565)	-	(8,565)
Total Governmental Activities	793,238	52,385	105,130	-	(635,723)	-	(635,723)
Business-Type Activities							
Water	396,784	457,510	-	9,568	-	70,294	70,294
Sewer	272,030	441,130	-	1,400,565	-	1,569,665	1,569,665
Total Business-Type Activities	668,814	898,640	-	1,410,133	-	1,639,959	1,639,959
Total Primary Government	\$ 1,462,052	\$ 951,025	\$ 105,130	\$ 1,410,133	(635,723)	1,639,959	1,004,236
General Revenues:							
Taxes:							
General Property Taxes - Net					123,362	-	123,362
Sales Taxes					832,489	-	832,489
Franchise Taxes					57,365	-	57,365
Other Taxes					22,797	-	22,797
Interest on Investments					36,561	22,029	58,590
Gain on Sale of Capital Assets					3,750	-	3,750
Miscellaneous					3,935	-	3,935
Total General Revenues					1,080,259	22,029	1,102,288
Change in Net Position					444,536	1,661,988	2,106,524
Net Position - Beginning					3,953,605	3,770,876	7,724,481
Net Position - Ending					\$ 4,398,141	\$ 5,432,864	\$ 9,831,005

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

TOWN OF DEL NORTE
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2019

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,632,322	\$ 1,238,071	\$ 221,338	\$ 3,091,731
Accounts Receivable	5,794	-	-	5,794
Due from Other Governments	68,268	33,227	-	101,495
Property Taxes Receivable	128,761	-	-	128,761
Other Assets	-	-	555	555
TOTAL ASSETS	<u>\$ 1,835,145</u>	<u>\$ 1,271,298</u>	<u>\$ 221,893</u>	<u>\$ 3,328,336</u>
LIABILITIES				
Accounts Payable	\$ 12,038	\$ -	\$ -	\$ 12,038
TOTAL LIABILITIES	<u>12,038</u>	<u>-</u>	<u>-</u>	<u>12,038</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Grant Revenue	2,447	-	-	2,447
Unavailable Revenue - Property Tax	128,761	-	-	128,761
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>131,208</u>	<u>-</u>	<u>-</u>	<u>131,208</u>
FUND BALANCE				
Restricted:				
TABOR	36,000	-	-	36,000
Debt Service	-	-	103,024	103,024
Committed:				
Capital Improvements	-	1,271,298	-	1,271,298
Culture and Recreation	-	-	118,869	118,869
Assigned:				
Subsequent Years	124,051	-	-	124,051
Unassigned	1,531,848	-	-	1,531,848
TOTAL FUND BALANCE	<u>1,691,899</u>	<u>1,271,298</u>	<u>221,893</u>	<u>3,185,090</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND FUND BALANCE	<u>\$ 1,835,145</u>	<u>\$ 1,271,298</u>	<u>\$ 221,893</u>	<u>\$ 3,328,336</u>

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

TOWN OF DEL NORTE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2019

Total Governmental Fund Balances	\$ 3,185,090
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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.	1,342,676
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Revenue Bonds	\$ (95,000)	
Compensated Absences	<u>(34,625)</u>	<u>(129,625)</u>

Net Position of Governmental Activities	<u><u>\$ 4,398,141</u></u>
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TOWN OF DEL NORTE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2019

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 660,527	\$ 321,936	\$ 53,550	\$ 1,036,013
Licenses and Permits	3,915	-	-	3,915
Intergovernmental Revenue	93,131	-	8,999	102,130
Charges for Services	29,892	-	-	29,892
Fines and Forfeits	11,574	-	-	11,574
Interest on Accounts	21,385	12,067	3,109	36,561
Miscellaneous Revenue	13,939	-	-	13,939
TOTAL REVENUES	834,363	334,003	65,658	1,234,024
EXPENDITURES				
General Government	141,745	15	-	141,760
Public Safety	336,673	-	-	336,673
Highways and Streets	163,994	10,445	-	174,439
Health and Welfare	6,892	-	-	6,892
Culture and Recreation	13,864	-	14,062	27,926
Debt Service	-	-	53,565	53,565
Capital Outlay	-	46,540	-	46,540
TOTAL EXPENDITURES	663,168	57,000	67,627	787,795
Excess (deficiency) of revenues over expenditures	171,195	277,003	(1,969)	446,229
OTHER FINANCING SOURCES (USES)				
Sale of Land	3,750	-	-	3,750
TOTAL OTHER FINANCING SOURCES (USES)	3,750	-	-	3,750
Change in Fund Balances	174,945	277,003	(1,969)	449,979
Fund Balance at Beginning of Year	1,516,954	994,295	223,862	2,735,111
Fund Balance at End of Year	\$ 1,691,899	\$ 1,271,298	\$ 221,893	\$ 3,185,090

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

TOWN OF DEL NORTE
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, 2019

Net Changes in Fund Balances - Total Governmental Funds	\$	449,979
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Amounts reported for governmental activities in the statement of activities are different because:

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

Fixed asset additions	\$	37,157	
Depreciation expense		(87,600)	(50,443)

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

Revenue bond payment		45,000
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Change in Net Position of Governmental Activities	\$	444,536
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TOWN OF DEL NORTE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2019

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 712,954	\$ 765,331	\$ 1,478,285
Accounts Receivable	65,193	66,199	131,392
Due from Other Governments	-	565,296	565,296
Inventories	54,993	7,176	62,169
	<hr/>	<hr/>	<hr/>
Total Current Assets	833,140	1,404,002	2,237,142
	<hr/>	<hr/>	<hr/>
Capital Assets			
Construction in Progress	-	6,074,988	6,074,988
Utility System	2,427,787	1,049,474	3,477,261
Machinery and Equipment	325,820	147,205	473,025
Infrastructure	1,119,994	-	1,119,994
Less: Accumulated Depreciation	(2,048,004)	(782,480)	(2,830,484)
	<hr/>	<hr/>	<hr/>
Total Capital Assets	1,825,597	6,489,187	8,314,784
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	2,658,737	7,893,189	10,551,926
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current Liabilities			
Accounts Payable	1,199	195,326	196,525
Notes Payable	36,236	10,363	46,599
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	37,435	205,689	243,124
	<hr/>	<hr/>	<hr/>
Noncurrent Liabilities			
Compensated Absences	17,551	11,260	28,811
Notes Payable	308,001	4,539,126	4,847,127
	<hr/>	<hr/>	<hr/>
Total Noncurrent Liabilities	325,552	4,550,386	4,875,938
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	362,987	4,756,075	5,119,062
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net Investment in Capital Assets	1,481,360	1,939,698	3,421,058
Unrestricted	814,390	1,197,416	2,011,806
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	<u>\$ 2,295,750</u>	<u>\$ 3,137,114</u>	<u>\$ 5,432,864</u>

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

TOWN OF DEL NORTE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2019

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for Services			
Service Charges	\$ 452,112	\$ 441,130	\$ 893,242
Miscellaneous Revenue	5,398	-	5,398
Total Operating Revenues	<u>457,510</u>	<u>441,130</u>	<u>898,640</u>
OPERATING EXPENSES			
Salaries	107,891	92,751	200,642
Benefits	40,374	30,143	70,517
Supplies	19,524	6,380	25,904
Engineering Services	24,111	35,530	59,641
Utilities, Gas and Oil	35,236	44,060	79,296
Equipment Repairs & Maintenance	19,986	1,905	21,891
Insurance and Bonds	18,241	16,973	35,214
Administration - Police Department	19,207	-	19,207
Miscellaneous	1,199	726	1,925
Depreciation	111,015	39,544	150,559
Total Operating Expenses	<u>396,784</u>	<u>268,012</u>	<u>664,796</u>
Operating Income (Loss)	<u>60,726</u>	<u>173,118</u>	<u>233,844</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on Accounts	16,406	5,623	22,029
Grant Revenue	9,568	1,400,565	1,410,133
Interest Expense	-	(4,018)	(4,018)
Total Nonoperating Revenues (Expenses)	<u>25,974</u>	<u>1,402,170</u>	<u>1,428,144</u>
Net Income (Loss)	86,700	1,575,288	1,661,988
Net Position at Beginning of Year	<u>2,209,050</u>	<u>1,561,826</u>	<u>3,770,876</u>
Net Position at End of Year	<u>\$ 2,295,750</u>	<u>\$ 3,137,114</u>	<u>\$ 5,432,864</u>

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

TOWN OF DEL NORTE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 445,356	\$ 447,572	\$ 892,928
Cash Payments to Suppliers for Goods and Services	(149,416)	(530,724)	(680,140)
Cash Payments to Employees	(107,891)	(92,751)	(200,642)
Cash Payments for Employee Benefits and Taxes	(37,714)	(30,143)	(67,857)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>150,335</u>	<u>(206,046)</u>	<u>(55,711)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Fixed Assets	(26,073)	(5,059,049)	(5,085,122)
Grant Proceeds	9,568	941,005	950,573
Loan Proceeds	-	4,479,000	4,479,000
Interest Paid on Notes and Bonds	-	(4,018)	(4,018)
Principal Paid on Notes and Bonds	(36,236)	(9,869)	(46,105)
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(52,741)</u>	<u>347,069</u>	<u>294,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	16,406	5,623	22,029
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>16,406</u>	<u>5,623</u>	<u>22,029</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,000	146,646	260,646
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>598,954</u>	<u>618,685</u>	<u>1,217,639</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 712,954</u></u>	<u><u>\$ 765,331</u></u>	<u><u>\$ 1,478,285</u></u>
OPERATING INCOME (LOSS)	\$ 60,726	\$ 173,118	\$ 233,844
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	111,015	39,544	150,559
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(12,154)	6,442	(5,712)
Increase (Decrease) in Accounts Payable	(11,912)	(425,150)	(437,062)
Increase (Decrease) in Compensated Absences	2,660	-	2,660
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 150,335</u></u>	<u><u>\$ (206,046)</u></u>	<u><u>\$ (55,711)</u></u>

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

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town of Del Norte, (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 of Del Norte was originally incorporated on December 14, 1873, and became a statutory Town under State Statute (CRS 31-1-101) on July 3, 1877. The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, insect control, 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 does not have any component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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 with 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 DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

- 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, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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 **Capital Improvement Fund** is used for the aggregation of monies for future capital purchases. Sources of revenue are derived from transfers from other funds and sales taxes assigned for capital improvements.

The Town reports the following major enterprise funds:

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

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

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

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

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

Cash and Investments

The Town's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with a maturity of three months or less from the date of acquisition. All investments, if any, are recorded at fair market value.

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 by the Town to the extent it results in a current receivable.

The 2019 property tax levy due January 1, 2020, has been recorded in the financial statements as a receivable and corresponding deferred inflows of resources in the financial statements.

Inventory

Inventories held by all funds, except the Water and Sewer Funds, have been recorded as expenditures at the time of purchase. Water and Sewer Fund inventories are stated at the lower of cost or market value.

Capital Assets

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

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

Assets	Years
Buildings and Improvements	5-50
Equipment	3-15
Infrastructure	10-20
Vehicles	5-10

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

Compensated Absences

The Town employees may earn and accumulate unused vacation and overtime benefits. All vacation and overtime pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

Long-Term Obligations

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

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.

Deferred Inflows of Resources

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

Interest Capitalization

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest was capitalized in the current period.

Encumbrances

The Town records purchase orders in the accounting system upon approval of administration. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

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.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

Fund Balance

Fund balances are reported based on the extent to which the Town is bound to honor constraints for the specific purpose 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 insurance.
- *Restricted Fund Balance* – restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Trustees through ordinance or resolution, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 Town 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, or 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.

Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

Formal budgetary integration is employed as a management control device for all funds of the Town. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP), except for the Water and Sewer funds.

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 2019. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

At December 31, 2019 cash, deposits, and investments consisted of the following:

Cash on Hand	\$ 804
Cash in Banks	3,361,974
Investment in ColoTrust	1,207,238
	<u>\$ 4,570,016</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 102% of the aggregate uninsured deposits. All deposits in 2019 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. At December 31, 2019, \$3,494,802 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

INVESTMENTS

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

Credit Risk

The Town's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The Town's investment policy allows for the Town to invest in local government investment pools. As of December 31, 2019, the local government investment pool (COLOTRUST) in which the Town had invested, was rated AAAM by Standard and Poor's.

Interest Rate Risk

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

The Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes, and note strips and repurchase agreements collateralized by U.S. Treasury Notes.

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

NOTE 4 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2019, the Town had \$666,791 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land and Land Improvements	\$ 498,356	\$ -	\$ -	\$ 498,356
Construction In Progress	102,855	-	102,855	-
Total capital assets not being depreciated	601,211	-	102,855	498,356
Capital assets being depreciated				
Buildings and Improvements	1,013,230	102,855	-	1,116,085
Infrastructure	371,493	-	-	371,493
Machinery and Equipment	551,664	37,157	44,850	543,971
Vehicles	363,463	-	-	363,463
Total capital assets being depreciated	2,299,850	140,012	44,850	2,395,012
Less accumulated depreciation for:				
Buildings and Improvements	490,554	22,998	-	513,552
Infrastructure	232,249	23,496	-	255,745
Machinery and Equipment	507,369	29,508	44,850	492,027
Vehicles	277,770	11,598	-	289,368
Total accumulated depreciation	1,507,942	87,600	44,850	1,550,692
Total capital assets being depreciated, net	791,908	52,412	-	844,320
Governmental Activities Capital Assets, Net	<u>\$ 1,393,119</u>	<u>\$ 52,412</u>	<u>\$ 102,855</u>	<u>\$ 1,342,676</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Construction in Progress	\$ 1,015,939	\$ 5,059,049	\$ -	\$ 6,074,988
Total capital assets not being depreciated	1,015,939	5,059,049	-	6,074,988
Capital assets being depreciated				
Property, Plant and Equipment	5,070,193	26,073	25,986	5,070,280
Accumulated Depreciation	(2,705,911)	(150,559)	(25,986)	(2,830,484)
Total capital assets being depreciated, net	2,364,282	(124,486)	-	2,239,796
Business-type Capital Assets, Net	<u>\$ 3,380,221</u>	<u>\$ 4,934,563</u>	<u>\$ -</u>	<u>\$ 8,314,784</u>

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

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

Governmental Activities

General Government	\$ 22,864
Public Safety	5,077
Highways and Streets	59,657
Health and Welfare	2
Culture and Recreation	-
Total depreciation expense – governmental activities	<u>\$ 87,600</u>

Business-type Activities

Water Services	\$ 111,015
Sewer Services	39,544
Total depreciation expense – business-type activities	<u>\$ 150,559</u>

NOTE 6 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Balance 12/31/2018	Additions	Repayments	Balance 12/31/2019	Due Within One Year
<i>Governmental Activities</i>					
2001 Sales Tax Revenue Bonds	\$ 140,000	\$ -	\$ 45,000	\$ 95,000	\$ 45,000
Compensated Absences	34,625	-	-	34,625	-
Governmental Activities Total	<u>\$ 174,625</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 129,625</u>	<u>\$ 45,000</u>
<i>Business-type Activities</i>					
Notes Payable					
DOLA Loan	\$ 80,358	\$ -	\$ 9,869	\$ 70,489	\$ 10,363
CWRPDA Loan	380,473	-	36,236	344,237	36,236
USDA Loan	-	4,479,000	-	4,479,000	-
Compensated Absences	26,151	2,660	-	28,811	-
Business-type Activities Total	<u>\$ 486,982</u>	<u>\$ 4,481,660</u>	<u>\$ 46,105</u>	<u>\$ 4,922,537</u>	<u>\$ 46,599</u>

Governmental Activities

Sales Tax Revenue Bonds –2001

The sales tax revenue bonds series 2001, dated April 15, 2001, were issued in the amount of \$570,000. Bonds are due in varying principal amounts through October 2021. Interest is paid semi-annually at rates varying from 5.25% to 6.00%. Principal and interest payments are to be paid from Town sales tax revenue deposited in the Debt Service Fund. Proceeds were used for the constructing and improving of a storm drainage system.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

The annual debt service for the 2001 bonds is as follows:

	Principal October 15	Interest April 15	Interest October 15	Total
2020	\$ 45,000	\$ 2,850	\$ 2,850	\$ 50,700
2021	50,000	1,500	1,500	53,000
	<u>\$ 95,000</u>	<u>\$ 4,350</u>	<u>\$ 4,350</u>	<u>\$ 103,700</u>

Business-type Activities

Notes Payable

The Sewer Fund has a note payable to the State of Colorado Department of Local Affairs as a part of the Energy and Mineral Impact Grant for the Del Norte Wastewater Plant Improvements, with an interest rate of 5.0%, and payable in annual payments of \$13,887. The final payment is due in 2025.

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

	Principal	Interest	Total
2020	\$ 10,363	\$ 3,524	\$ 13,887
2021	10,881	3,006	13,887
2022	11,425	2,462	13,887
2023	11,996	1,891	13,887
2024	12,596	1,291	13,887
2025	13,228	661	13,889
	<u>\$ 70,489</u>	<u>\$ 12,835</u>	<u>\$ 83,324</u>

On December 31, 2009, the Colorado Water Resources and Power Development Authority loaned the Town \$934,000 at an interest rate of 0.0% annually. This loan was obtained for installation of water meters and replacing service lines. During 2011, the project was completed and the Town had not drawn down the full balance of the loan. The principal balance was adjusted by the Colorado Water Resources and Power Development Authority to \$745,642, the amount of total draws. The note is to be repaid in semi-annual installments of \$18,118 for a period of 20 years. The initial payment was due November 1, 2009, and the final payment is due May 1, 2029. The loan is secured with “net revenue” from the water enterprise fund pledged to repay the loan.

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

	Principal	Interest	Total
2020	\$ 36,236	\$ -	\$ 36,236
2021	36,236	-	36,236
2022	36,236	-	36,236
2023	36,236	-	36,236
2024	36,236	-	36,236
2025-2029	163,057	-	163,057
	<u>\$ 344,237</u>	<u>\$ -</u>	<u>\$ 344,237</u>

On February 10, 2016, the Town entered into a loan with the United States Department of Agriculture (USDA), in the amount of \$4,479,000 with an interest rate of 2.125% annually to complete the wastewater capital improvement

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

project. As of December 31, 2019 the Town has drawn down the full loan amount. The loan will be closed out in 2020 with the first payment due in 2021. Amortization will be determined upon finalization of the loan over 40 years.

NOTE 7 DEFINED CONTRIBUTION PENSION PLANS

Profit-Sharing Plan

The Town contributes to the Town of Del Norte Profit Sharing Plan (the Plan), a defined contribution plan for all employees, except sworn police officers. The Plan is administered by the Town of Del Norte and investment funds are managed by Pension Management Associates, Inc. The Plan permits participant self-direction on all accounts. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town Board of Trustees. For each employee in the pension plan, the Town is required to contribute four percent of compensation to an individual employee account. Employees are not permitted to make contributions to the Plan. For the year ended December 31, 2019, the Town recognized pension expense of \$23,529.

Employees become vested in Town contributions and earnings beginning in year two of a seven year vesting schedule. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2019, forfeitures reduced the Town's pension expense by \$0.

Police Money Purchase Pension Plan

The Town contributes to the Town of Del Norte Police Department Money Purchase Plan (the Plan), a defined contribution plan for all sworn police officers of the Town. The Plan is administered by the Town of Del Norte and investment funds are managed by Pension Management Associates, Inc. The Plan permits participant self-direction on all accounts. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town Board of Trustees. For each employee in the pension plan, the Town is required to contribute eight percent of compensation to an individual employee account. Employees are required to contribute eight percent of compensation to the Plan. For the year ended December 31, 2019, employee contributions totaled \$10,999 and the Town recognized pension expense of \$10,999.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings beginning in year two of a seven year vesting schedule. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2019, forfeitures reduced the Town's pension expense by \$0.

NOTE 8 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the Town of Del Norte and investment funds are managed by Security Benefit, Inc. The plan, available to all Town employees, upon hire, permits them to defer a portion of their salary

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2019

until future years. During the year ended December 31, 2019, the employees contributed \$5,400. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies.

The Town has no other liability other than to make the required monthly contribution.

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.

On April 4, 2000, the voters of Del Norte passed a ballot issue to permit the Town of Del Norte "in 1999 and each subsequent year thereafter, to retain and spend Town revenues in excess of the spending, revenue raising, or other limits in Article X, Section 20, of the Colorado constitution, utilizing such revenues for public safety, municipal services, transportation and other public improvements, parks and recreational facilities, and any other lawful purpose as voter-approved revenue change".

The amendment also requires that emergency reserves be established. These reserves must be at least 3 percent of fiscal year spending in 1995 and thereafter. This emergency reserve has been presented as a restricted fund balance in General Fund and restricted net position in the government-wide financial statements. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Grant Programs

The Town participates in a number of 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 any such amounts to be immaterial.

Construction Projects

On March 9, 2016 the Town entered into a grant agreement with the State of Colorado Department of Local Affairs for \$2,000,000, a USDA loan of \$4,479,000, and USDA Grant for \$2,792,796 for the purpose of improving the Town's wastewater collection system. The Town has spent \$6,074,988 as of December 31, 2019 towards the project and is expecting to finish in 2020 with a total cost of \$9,271,796.

NOTE 11 SUBSEQUENT EVENTS

In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity throughout the Town could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. No adjustments have been made to these financial statements as the potential impact is unknown at this time.

TOWN OF DEL NORTE

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 DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 546,101	\$ 546,101	\$ 660,527	\$ 114,426
Licenses and Permits	3,275	3,275	3,915	640
Intergovernmental Revenue				
Highway Users Tax	59,615	59,615	73,881	14,266
Additional Motor Vehicle Fees	7,100	7,100	10,026	2,926
County Road and Bridge Fund	8,200	8,200	9,224	1,024
Charges for Services	32,995	32,995	29,892	(3,103)
Fines and Forfeits	60,700	60,700	11,574	(49,126)
Interest on Accounts	9,850	9,850	21,385	11,535
Miscellaneous Revenue	9,719	9,719	13,939	4,220
TOTAL REVENUE	737,555	737,555	834,363	96,808
EXPENDITURES				
General Government	188,263	188,263	141,745	46,518
Public Safety	400,758	400,758	336,673	64,085
Highways and Streets	171,716	171,716	163,994	7,722
Health and Welfare	6,166	6,166	6,892	(726)
Culture and Recreation	15,652	15,652	13,864	1,788
TOTAL EXPENDITURES	782,555	782,555	663,168	119,387
Excess (deficiency) of revenues over expenditures	(45,000)	(45,000)	171,195	(22,579)
OTHER FINANCING SOURCES (USES)				
Sale of Land	-	-	3,750	3,750
TOTAL OTHER FINANCING SOURCES (USES)	-	-	3,750	3,750
Change in Fund Balance	(45,000)	(45,000)	174,945	(18,829)
Fund Balance at Beginning of Year	1,434,648	1,434,648	1,516,954	82,306
Fund Balance at End of Year	\$ 1,389,648	\$ 1,389,648	\$ 1,691,899	\$ 63,477

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

TOWN OF DEL NORTE

OTHER SUPPLEMENTARY INFORMATION

The combining financial statements represent the second level of financial reporting for the Town. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**TOWN OF DEL NORTE
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Conservation Trust Fund – This 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.

DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest.

Debt Service Fund – This fund is used to make payments on the Town’s sales tax revenue bonds. Revenue is from taxes collected by the Town for this specific purpose.

TOWN OF DEL NORTE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2019

	Special Revenue Fund		
	CONSERVATION TRUST FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL
ASSETS			
Cash and Cash Equivalents	\$ 118,314	\$ 103,024	\$ 221,338
Other Assets	555	-	555
TOTAL ASSETS	<u>\$ 118,869</u>	<u>\$ 103,024</u>	<u>\$ 221,893</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted for:			
Debt Service	-	103,024	103,024
Committed:			
Culture and Recreation	118,869	-	118,869
TOTAL FUND BALANCE	<u>118,869</u>	<u>103,024</u>	<u>221,893</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 118,869</u>	<u>\$ 103,024</u>	<u>\$ 221,893</u>

TOWN OF DEL NORTE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2019

	Special Revenue Fund		
	CONSERVATION TRUST FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL
REVENUES			
Taxes	\$ -	\$ 53,550	\$ 53,550
Intergovernmental Revenue	8,999	-	8,999
Interest on Accounts	2,139	970	3,109
TOTAL REVENUES	11,138	54,520	65,658
EXPENDITURES			
Culture and Recreation	14,062	-	14,062
Debt Service	-	53,565	53,565
TOTAL EXPENDITURES	14,062	53,565	67,627
Change in Fund Balances	(2,924)	955	(1,969)
Fund Balance at Beginning of Year	121,793	102,069	223,862
Fund Balance at End of Year	\$ 118,869	\$ 103,024	\$ 221,893

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Year Ended December 31, 2019

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 233,000	\$ 233,000	\$ 321,936	\$ 88,936
Interest on Accounts	5,105	5,105	12,067	6,962
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	238,105	238,105	334,003	95,898
EXPENDITURES				
General Government	30,000	30,000	15	29,985
Highways and Streets	55,305	55,305	10,445	44,860
Capital Outlay	252,800	252,800	46,540	206,260
TOTAL EXPENDITURES	338,105	338,105	57,000	281,105
Change in Fund Balance	(100,000)	(100,000)	277,003	(185,207)
Fund Balance at Beginning of Year	943,441	943,441	994,295	50,854
Fund Balance at End of Year	\$ 843,441	\$ 843,441	\$ 1,271,298	\$ (134,353)

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
For the Year Ended December 31, 2019

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Intergovernmental Revenue				
Lottery Proceeds	\$ 366,750	\$ 366,750	\$ 8,999	\$ (357,751)
Interest on Accounts	1,157	1,157	2,139	982
TOTAL REVENUES	<u>367,907</u>	<u>367,907</u>	<u>11,138</u>	<u>(356,769)</u>
EXPENDITURES				
Culture and Recreation	367,907	367,907	14,062	353,845
Capital Outlay	4,250	4,250	-	4,250
TOTAL EXPENDITURES	<u>372,157</u>	<u>372,157</u>	<u>14,062</u>	<u>358,095</u>
Change in Fund Balance	(4,250)	(4,250)	(2,924)	(714,864)
Fund Balance at Beginning of Year	<u>111,825</u>	<u>111,825</u>	<u>121,793</u>	<u>9,968</u>
Fund Balance at End of Year	<u>\$ 107,575</u>	<u>\$ 107,575</u>	<u>\$ 118,869</u>	<u>\$ 11,294</u>

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2019

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Sales Tax	\$ 53,550	\$ 53,550	\$ 53,550	\$ -
Interest on Accounts	-	-	970	970
TOTAL REVENUES	53,550	53,550	54,520	970
EXPENDITURES				
Debt Service				
Debt Service Principal	45,000	45,000	45,000	-
Debt Service Interest	8,400	8,400	8,400	-
Trustee Fees	150	150	165	(15)
Total Debt Service	53,550	53,550	53,565	(15)
TOTAL EXPENDITURES	53,550	53,550	53,565	(15)
Change in Fund Balance	-	-	955	955
Fund Balance at Beginning of Year	102,069	102,069	102,069	-
Fund Balance at End of Year	\$ 102,069	\$ 102,069	\$ 103,024	\$ 955

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
WATER FUND
For the Year Ended December 31, 2019

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUES				
Charges for Services				
Service Charges	\$ 457,155	\$ 457,155	\$ 452,112	\$ (5,043)
Miscellaneous Revenue	2,810	2,810	5,398	2,588
Total Operating Revenues	459,965	459,965	457,510	(2,455)
OPERATING EXPENSES				
Salaries	111,402	111,402	107,891	3,511
Benefits	43,446	43,446	40,374	3,072
Operating Supplies	18,500	18,500	19,524	(1,024)
Other Professional Services	73,500	73,500	24,111	49,389
Utilities, Gas and Oil	52,425	52,425	35,236	17,189
Equipment Repairs & Maintenance	28,000	28,000	19,986	8,014
Insurance and Bonds	454,788	454,788	18,241	436,547
Administration - Police Department	23,681	23,681	19,207	4,474
Miscellaneous	3,425	3,425	1,199	2,226
Capital Outlay	30,000	30,000	26,073	3,927
Depreciation	86,000	86,000	111,015	(25,015)
Total Operating Expenses	925,167	925,167	422,857	502,310
Operating Income (Loss)	(465,202)	(465,202)	34,653	499,855
NONOPERATING REVENUES (EXPENSES)				
Interest on Accounts	16,950	16,950	16,406	(544)
Grant Revenue	414,488	414,488	9,568	(404,920)
Debt Payments	(36,236)	(36,236)	(36,236)	-
Total Nonoperating Revenues (Expenses)	395,202	395,202	(10,262)	(405,464)
Net Income - Budget Basis	(70,000)	(70,000)	24,391	<u>\$ 94,391</u>
Add: Capital Outlay			26,073	
Add: Principal Payment on Debt			<u>36,236</u>	
Change in Net Position			86,700	
Net Position at Beginning of Year	1,897,259	1,897,259	2,209,050	
Net Position at End of Year	\$ 1,827,259	\$ 1,827,259	\$ 2,295,750	

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
SEWER FUND
For the Year Ended December 31, 2019

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUES				
Charges for Services				
Service Charges	\$ 447,107	\$ 447,107	\$ 441,130	\$ (5,977)
Miscellaneous Revenue	50	50	-	(50)
Total Operating Revenues	<u>447,157</u>	<u>447,157</u>	<u>441,130</u>	<u>(6,027)</u>
OPERATING EXPENSES				
Salaries	97,557	97,557	92,751	4,806
Benefits	31,615	31,615	30,143	1,472
Operating Supplies	10,600	10,600	6,380	4,220
Professional Services	38,634	38,634	35,530	3,104
Utilities, Gas and Oil	51,000	51,000	44,060	6,940
Equipment Repairs and Maintenance	5,400	5,400	1,905	3,495
Insurance and Bonds	16,500	16,500	16,973	(473)
Miscellaneous	1,850	1,850	726	1,124
Depreciation	45,000	45,000	39,544	5,456
Capital Outlay	9,185,959	9,185,959	5,059,049	4,126,910
Reserve/Contingency	137,960	137,960	-	137,960
Total Operating Expenses	<u>9,622,075</u>	<u>9,622,075</u>	<u>5,327,061</u>	<u>4,295,014</u>
Operating Income (Loss)	<u>(9,174,918)</u>	<u>(9,174,918)</u>	<u>(4,885,931)</u>	<u>4,288,987</u>
NONOPERATING REVENUES (EXPENSES)				
Interest on Accounts	2,846	2,846	5,623	2,777
Grant Revenue	9,185,959	9,185,959	1,400,565	(7,785,394)
Debt Payments	(13,887)	(13,887)	(13,887)	-
Total Nonoperating Revenues (Expenses)	<u>9,174,918</u>	<u>9,174,918</u>	<u>1,392,301</u>	<u>(7,782,617)</u>
Net Income - Budget Basis	-	-	(3,493,630)	<u><u>\$ (3,493,630)</u></u>
Add: Capital Outlay			5,059,049	
Add: Principal Payment on Debt			<u>9,869</u>	
Change in Net Position			1,575,288	
Net Position at Beginning of Year	<u>1,340,864</u>	<u>1,340,864</u>	<u>1,561,826</u>	
Net Position at End of Year	<u><u>\$ 1,340,864</u></u>	<u><u>\$ 1,340,864</u></u>	<u><u>\$ 3,137,114</u></u>	

TOWN OF DEL NORTE
OTHER SCHEDULES AND REPORTS

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

LOCAL HIGHWAY FINANCE REPORT		City or County:	Town of Del Norte Rio Grande County
		YEAR ENDING :	December 2019
This Information From The Records Of Town of Del Norte:		Prepared By:	Ramona Dordan
		Phone:	719-657-2708

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	203,943
4. Miscellaneous local receipts (from page 2)	0
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	203,943
B. Private Contributions	
C. Receipts from State government (from page 2)	93,131
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	297,074

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	0
2. Maintenance:	42,690
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	
c. Other	24,136
d. Total (a. through c.)	24,136
4. General administration & miscellaneous	97,169
5. Highway law enforcement and safety	133,079
6. Total (1 through 5)	297,074
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	297,074

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		297,074	297,074		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2019	

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	203,943	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	203,943	h. Other	
c. Total (a. + b.)	203,943	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	73,881	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	10,026	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) Road&Bridge	9,224	f. Other Federal	
f. Total (a. through e.)	19,250	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	93,131	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements	0	0	0
(3). System Preservation	0	0	0
(4). System Enhancement & Operation	0	0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments:

TOWN OF DEL NORTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>		<i>Federal Expenditures(\$)</i>
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760		
		Loan	\$ 4,479,000
		Grant	341,349
			<hr/>
<i>Total Expenditures of Federal Awards</i>			<hr/> <hr/> \$ 4,820,349

TOWN OF DEL NORTE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Del Norte (the Town) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The Town did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended December 31, 2019. In addition, the Town did not pass-through federal funds to subrecipients.

NOTE 3: WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES LOAN

This loan is administered directly by U.S. Department of Agriculture and payable by the Town. The outstanding loan balance at December 31, 2019 is included in the financial statements. The detail of the loan outstanding at the beginning and end of the year is included in the Notes to the Basic Financial Statements.

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



Wall,
Smith,
Bateman Inc.

To the Honorable Mayor and Board of Trustees
Town of Del Norte
Del Norte, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Del Norte (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 06, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001 that we consider to be material a weakness.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Del Norte's Response to the Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 06, 2020



Wall,
Smith,
Bateman Inc.

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

To the Honorable Mayor and Board of Trustees
Town of Del Norte, Colorado
Del Norte, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Town of Del Norte's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2019. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Opinion on Each Major Federal Programs

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

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



Wall, Smith, Bateman Inc.
Alamosa, Colorado

July 06, 2020

TOWN OF DEL NORTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

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

Type of finding: Internal Control (material weakness)

Condition/Cause: The Town does not have a complete system of internal control to prevent or detect financial misstatements.

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

TOWN OF DEL NORTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Effect: As a result of non-routine grant funded capital asset improvements during 2019, audit adjustments were proposed to correctly state the Town's financial statements in accordance with generally accepted accounting principles at December 31, 2019.

Recommendation: The Town should strengthen its internal controls with adopted policies and procedures regarding monthly and year-end financial close accounting and reconciliation processes for the grants.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

TOWN OF DEL NORTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2019

Finding 2018-001: Internal Control Over Financial Reporting
(Repeat of Finding 2017-001)

Type of finding: Internal Control (material weakness)

Condition/Cause: The Town does not have a complete system of internal control to prevent or detect financial misstatements.

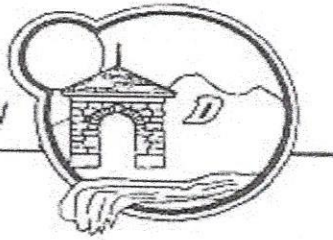
Status: Not implemented. See finding 2019-001.

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GATEWAY TO ALL SEASON FUN

TOWN OF DEL NORTE

140 SPRUCE STREET
P.O. BOX 249
DEL NORTE, CO 81132



PHONE NO. (719) 657-2708
FAX NO. (719) 657-2035

CORRECTIVE ACTION PLAN

Oversight Agency - U.S. Department of Agriculture

Town of Del Norte respectfully submits the following corrective action plan for the year ended December 31, 2019.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle, P.O. Box 809
Alamosa, Colorado 81101

Audit period: Year ended December 31, 2019

The findings from the December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

**Finding 2019-001: Internal Control over Financial Reporting
(Repeat of Finding 2018-001 and 2017-001)**

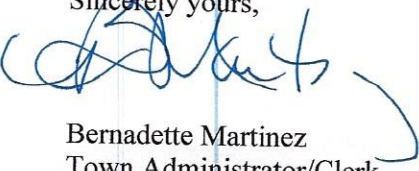
Type of finding: Internal Control (material weakness)

Recommendation: The Town should strengthen its internal controls with adopted policies and procedures regarding monthly and year-end financial close accounting and reconciliation processes for the grants.

Action Taken: The Town Treasurer will post all year end accruals for current year then submit to Town Administrator for review. This will be implemented beginning July 2020.

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

Sincerely yours,


Bernadette Martinez
Town Administrator/Clerk