TOWN OF RED CLIFF, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2016

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FINANCIAL SECTION

JOHN CUTLER
& ASSOCIATES

Mayor and Town Board of Trustees
Town of Red Cliff
Red Cliff, Colorado

INDEPENDENT AUDITORS' REPORT

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 Red Cliff, Colorado, as of and for the year ended December 31, 2016, 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.

Auditor's 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. 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 auditor's 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.

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 Red Cliff, Colorado, as of December 31, 2016, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule on page 24 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 individual fund schedules and State compliance listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and State compliance are fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 31, 2017

TOWN OF RED CLIFF, COLORADO
Management's Discussion and Analysis

As Management of the Town of Red Cliff, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2016.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $4,571,555. The largest portion of the Town's total assets reflects its' investment in capital assets of $4,342,426.
- The Town's total net assets increased by $17,209 for 2016.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balances of $125,659, an increase of $7,236 from prior year.
- At the end of the fiscal year, unassigned fund balance for the general fund was $92,300.
- The Town's total long-term debt decreased by -$56,496 during the fiscal year. The balance at the end of the fiscal year was $763,507.

Town Highlights

General Account. The Town has continued to be conservative in spending. Although property values have risen, the town may only collect a small increase in property taxes due to statutory property tax revenue limitations of 5.5% annually. The outlook is positive for the property value assessments in the coming years. The assessments in Eagle County have continued to increase.

Grants were approved for a communication tower for broadband and the project was started in 2015, with the original in-town tower installed in 2016. Completion includes a secondary tower at Ski Cooper and is expected to be complete in 2017. The CIP grant through DOLA for better financial planning, started at the end of 2015 and was 90% complete in 2016. Additional segment to be completed early in 2017.

Enterprise Account. Red Cliff continues to produce the best tasting water for its residents. The wastewater treatment plant functioned well through 2016 with no major problems. Funds have been placed in savings to offset any upgrades or maintenance necessary.

Overview of the Financial Statements This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's activities can be divided into two categories: governmental activities, reported in the general fund and conservation trust fund, and business-type activities reported in the proprietary or enterprise fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information and certain additional supplemental information.*

Government-wide financial analysis

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets:						
Current and other assets	$263,520	$250,443	$ 115,405	60,028	378,925	310,471
Capital assets, net	298,975	233,312	4,810,115	4,976,510	5,109,090	5,209,822
Total Assets	562,495	483,755	4,925,520	5,036,538	5,488,015	5,520,293
Liabilities:						
Other Liabilities	137,861	132,020	15,092	13,894	152,953	242,866
Long-term liabilities	-	-	763,507	820,033	763,507	716,434
Total Liabilities	137,861	132,020	778,599	833,927	916,460	959,300
Net Assets:						
Invested in capital assets, Net of related debt	298,975	233,312	4,043,451	4,153,320	4,342,426	4,386,632
Restricted	16,500	31,000	-	-	16,500	31,000
Unrestricted	109,159	87,423	103,470	49,291	212,629	136,714
Total Net Assets	$ 424,634	$ 351,735	$ 4,146,921	$ 4,202,611	$ 4,571,555	$ 4,554,346

Over time net assets may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $4,571,555 at the close of 2016. The largest portion of the Town's total assets reflects its investment in capital assets.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for Services	$ 26,489	$ 21,510	$ 291,538	$275,278	$ 318,027	$ 296,788
Taxes	182,673	170,554	-	-	182,673	170,554
Licenses and permits	20,539	7,062	-	-	20,539	7,062
Fees	8,050	10,137	-	-	8,050	10,137
Intergovernmental	88,083	173,593	-	56,825	88,083	230,418
Interest Income (expense)	354	323	-20,752	-26,160	-20,398	-25,837
Miscellaneous	6,924	1,696	10,000	-	16,924	1,696
Total	333,112	384,875	280,786	305,943	613,898	690,818
Expenses:						
General Government	222,688	198,303	60,923	58,979	283,611	257,282
Public Works	37,525	27,502	-	-	37,525	27,502
Safety	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-
Water and Wastewater Operations	-	-	99,158	98,423	99,158	98,423
Capital Outlay	-	-	-	-	-	-
Depreciation and Amortization	-	-	176,395	176,395	176,395	176,395
Transfers		534,262		-534,262		
Total	260,213	760,067	336,476	-200,465	596,689	559,602
Change in Net Assets	72,899	-375,192	-55,690	506,408	17,209	131,216
Net Assets – Beginning	351,735	726,927	4,202,611	3,696,203	4,554,346	4,423,130
Net Assets – Ending	424,634	351,735	4,146,921	4,202,611	4,571,555	4,554,346

The Town's total net assets increased by $17,209 in 2016.

Governmental activities

Governmental activities increased the Town's net assets in 2016 by $72,899. This was an increase of $448,091 from 2015. Some of the highlights of the increase are listed below.

Revenues decreased by (-$51,763). The decrease was a result of minor increases & large decreases due to the timing of Grants money allocation.

- Sales Taxes increased by $6,188 (~13% increase)
- Property Taxes increased by $4,449 (~4% increase)
- Lodging Taxes increased by $1,482 (~18% increase)
- Charges for Services (Bldg Permits/Planning Fees/Licenses) increased by $21,628 (~53% increase)
- Other Revenues (including Grants) decreased by (-$85,510) (~49%).

Expenses decreased by (-$499,854). The decrease was primarily a result of:

- Elimination of Interfund Balance between General and Enterprise which occurred in 2015 which was $534,262.
- General Operations increased by $24,385 (~12% increase)
- Public Works Operations increased by $10,023 (~36% increase) primarily due to in-kind service work at the communications tower.

Business-type Activities:

Business-type activities decreased the Town's net assets by (-$55,690) in 2016. This was a decrease of $562,098 from 2015. Highlights of that change are discussed below.

Revenues decreased by (-$25,157). The decrease was a result of:
- Water & Sewer Fees increased by $16,260 (~6% increase)
- Grants decreased by (-$56,825) (100% decrease)
- Miscellaneous increase of $10,000 (Value of donated equipment in 2016)
- Interest Income(**Expense**) decreased by (-$5,408) (interest rate reduction)

Expenses increased by $536,941. The increase was primarily a result of:
- Elimination of Interfund Balance between General and Enterprise which occurred in 2015 which was (-$534,262).
- Water/Wastewater Ops increased by $735 (~.7%) increase)
- General Ops increased by $1,944 (increase in testing requirements from CDPHE)

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Capital Asset and Debt Administration

Capital assets. The Town had depreciation of $176,395 this year and is comparable to last year.

Long-term debt. The Town made debt payments in the amount of $77,319 in fiscal year 2016: $56,526 in Principal and $20,793 in Interest. Principal Payments of $21,168 were made to Eagle River Water and Sanitation District, $26,210 to Deutsche/NBH and $9,148 to USDA.

The current portion (due in 1 year: 2017) of the outstanding long-term debt ($990,944) is $111,050 ($93,552 in principal and $17,498 in interest).

See Note 6 for more information.

Budget Comparisons and Economic Factors

- Revenues in the General fund were higher than anticipated for 2016 by $44,132
- Revenues in the Enterprise fund were higher than anticipated by $18,579 for 2016.
- Expenditures in the General fund were marginally lower than planned by $50 for 2016.
- Expenditures in the Enterprise fund were $35,598 lower than anticipated for 2016.
- The Town is optimistic that for 2017 taxes, permits, licenses and other revenues will continue to rise as the economy continues to move forward.

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report of requests for additional financial information should be addressed to the Town of Red Cliff, P.O. Box 40, Red Cliff, Colorado, 81649

BASIC FINANCIAL STATEMENTS

TOWN OF RED CLIFF, COLORADO

STATEMENT OF NET POSITION
As of December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS 2016	TOTALS 2015
ASSETS				
Cash and Investments	$ 95,799	$ 96,417	$ 192,216	$ 176,549
Restricted Cash and Investments	15,927	18,988	34,915	15,934
Receivables				
Property Taxes	122,737	-	122,737	115,192
Accounts	28,125	-	28,125	2,796
Prepaid Items	932	-	932	-
Capital Assets, Not Depreciated	268,244	-	268,244	194,245
Capital Assets, Depreciated				
Net of Accumulated Depreciation	30,731	4,810,115	4,840,846	5,015,577
TOTAL ASSETS	562,495	4,925,520	5,488,015	5,520,293
LIABILITIES				
Accounts Payable	4,123	7,845	11,968	13,153
Accrued Salaries and Benefits	11,001	-	11,001	10,322
Accrued Interest	-	3,157	3,157	3,157
Deposits	-	4,090	4,090	4,090
Noncurrent Liabilities				
Due within One Year	-	93,552	93,552	103,599
Due in More Than One Year	-	669,955	669,955	716,434
TOTAL LIABILITIES	15,124	778,599	793,723	850,755
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	122,737	-	122,737	115,192
Net Position				
Net Investment in Capital Assets	298,975	4,043,451	4,342,426	4,386,632
Restricted for Emergencies	16,500	-	16,500	31,000
Unrestricted	109,159	103,470	212,629	136,714
TOTAL NET POSITION	$ 424,634	$ 4,146,921	$ 4,571,555	$ 4,554,346

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 222,688	$ 47,028	$ -	$ -
Public Works	37,525	-	-	85,140
Parks and Recreation	-	-	-	2,943
Total Governmental Activities	260,213	47,028	-	88,083
Business-Type Activities				
Water and Sewer Operations	336,476	291,538	-	-
Interest on Long-Term Debt	20,793	-	-	-
Total Business-Type Activities	357,269	291,538	-	-
Total Primary Government	$ 617,482	$ 338,566	$ -	$ 88,083

GENERAL REVENUES
Sales Taxes
Property Taxes
Franchise Taxes
Other Taxes
Interest
Other

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS 2016	TOTALS 2015
$ (175,660)	$ -	$ (175,660)	$ (169,731)
47,615	-	47,615	143,541
2,943	-	2,943	2,550
(125,102)	-	(125,102)	(23,640)
-	(44,938)	(44,938)	(1,694)
-	(20,793)	(20,793)	(26,225)
-	(65,731)	(65,731)	(27,919)
(125,102)	(65,731)	(190,833)	(51,559)
53,295	-	53,295	47,107
119,799	-	119,799	115,350
8,050	-	8,050	10,137
9,579	-	9,579	8,097
354	41	395	388
6,924	10,000	16,924	1,696
198,001	10,041	208,042	182,775
72,899	(55,690)	17,209	131,216
351,735	4,202,611	4,554,346	4,423,130
$ 424,634	$ 4,146,921	$ 4,571,555	$ 4,554,346

TOWN OF RED CLIFF, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS 2016	TOTAL GOVERNMENTAL FUNDS 2015
ASSETS				
Cash and Investments	$ 95,799	$ -	$ 95,799	$ 93,257
Restricted Cash and Investments	-	15,927	15,927	2,984
Taxes Receivable	122,737	-	122,737	115,192
Accounts Receivable, net	28,125	-	28,125	2,796
Due from Other Funds	-	-	-	36,214
Prepaid Items	932	-	932	-
TOTAL ASSETS	$ 247,593	$ 15,927	$ 263,520	$ 250,443
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	$ 4,123	$ -	$ 4,123	$ 6,506
Accrued Salaries and Benefits	11,001	-	11,001	10,322
TOTAL LIABILITIES	15,124	-	15,124	16,828
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	122,737	-	122,737	115,192
FUND EQUITY				
Fund Balance				
Nonspendable	932	-	932	-
Restricted for Emergencies	16,500	-	16,500	31,000
Restricted for Parks and Recreation	-	15,927	15,927	2,984
Unassigned	92,300	-	92,300	84,439
TOTAL FUND EQUITY	109,732	15,927	125,659	118,423
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	$ 247,593	$ 15,927		
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.			298,975	233,312
Net position of governmental activities			$ 424,634	$ 351,735

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS 2016	TOTAL GOVERNMENTAL FUNDS 2015
REVENUES				
Taxes	$ 182,673	$ -	$ 182,673	$ 170,554
Licenses and Permits	20,539	-	20,539	7,062
Franchise Fees	8,050	-	8,050	10,137
Intergovernmental	85,140	2,943	88,083	173,593
Charges for Services	26,489	-	26,489	21,510
Interest Income	354	-	354	323
Miscellaneous	6,924	-	6,924	1,696
TOTAL REVENUES	330,169	2,943	333,112	384,875
EXPENDITURES				
General Government	182,290	-	182,290	195,852
Public Works	30,796	-	30,796	20,773
Capital Outlay	92,790	20,000	112,790	165,562
TOTAL EXPENDITURES	305,876	20,000	325,876	382,187
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,293	(17,057)	7,236	2,688
OTHER FINANCING SOURCES (USES)				
Transfers In	-	30,000	30,000	30,000
Transfers Out	(30,000)	-	(30,000)	(564,262)
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	30,000	-	(534,262)
NET CHANGE IN FUND BALANCES	(5,707)	12,943	7,236	(531,574)
FUND BALANCES, Beginning	115,439	2,984	118,423	649,997
FUND BALANCES, Ending	$ 109,732	$ 15,927	$ 125,659	$ 118,423

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

TOWN OF RED CLIFF, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Changes in Fund Balances - Total Governmental Funds	$	7,236
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 amount that capital outlay $73,999, exceeds depreciation expense ($8,336), for the year.		65,663
Change in Net Position of Governmental Activities	$	72,899

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
As of December 31, 2016

	2016	2015
ASSETS		
Current Assets		
Cash and Investments	$ 96,417	$ 83,292
Restricted Cash and Investments	18,988	12,950
Total Current Assets	115,405	96,242
Noncurrent Assets		
Capital Assets, net of accumulated depreciation	4,810,115	4,976,510
TOTAL ASSETS	4,925,520	5,072,752
LIABILITIES		
Current Liabilities		
Accounts Payable	7,845	6,647
Due to General Fund	-	36,214
Deposits	4,090	4,090
Accrued Interest Payable	3,157	3,157
Current Portion of Long Term Debt	93,552	103,599
Total Current Liabilities	108,644	153,707
Noncurrent Liabilities		
Notes Payable	202,313	239,463
Bonds Payable	467,642	476,971
Total Noncurrent Liabilities	669,955	716,434
TOTAL LIABILITIES	778,599	870,141
NET POSITION		
Net Investment in Capital Assets	4,043,451	4,153,320
Unreserved	103,470	49,291
TOTAL NET POSITION	$ 4,146,921	$ 4,202,611

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2016

	2016	2015
OPERATING REVENUES		
Charges for Services	$ 291,538	$ 275,278
Miscellaneous Income	10,000	-
TOTAL OPERATING REVENUES	301,538	275,278
OPERATING EXPENSES		
Water Operations	43,503	40,441
Wastewater Operations	55,655	57,982
General and Administrative	60,923	58,979
Depreciation and Amortization	176,395	176,395
TOTAL OPERATING EXPENSES	336,476	333,797
OPERATING LOSS	(34,938)	(58,519)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	41	65
Grants	-	56,825
Interest Expense	(20,793)	(26,225)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(20,752)	30,665
NET INCOME (LOSS) BEFORE TRANSFERS	(55,690)	(27,854)
Transfer In	-	534,262
CHANGE IN NET POSITION	(55,690)	506,408
NET POSITION, Beginning	4,202,611	3,696,203
NET POSITION, Ending	$ 4,146,921	$ 4,202,611

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended December 31, 2016
Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 301,538	$ 292,073
Cash Paid to Suppliers	(195,097)	(144,509)
Net Cash Provided (Used) by Operating Activities	106,441	147,564
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(10,000)	(55,423)
Capital Grants	-	56,825
Payments on Long Term Debt	(166,698)	(59,047)
Proceeds from Long-Term Debt	110,172	-
Interest Payments	(20,793)	(26,225)
Net Cash Provided (Used) by Capital and Related Financing Activities	(87,319)	(83,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	41	65
Net Increase (Decrease) in Cash and Cash Equivalents	19,163	63,759
CASH AND CASH EQUIVALENTS, Beginning	96,242	32,483
CASH AND CASH EQUIVALENTS, Ending	$ 115,405	$ 96,242
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (34,938)	$ (58,519)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	176,395	176,395
Changes in Assets and Liabilities		
Accounts Receivable	-	16,795
Accounts Payable	1,198	6,647
Deposits	-	4,090
Due to Other Funds	(36,214)	2,156
Total Adjustments	141,379	206,083
Net Cash Provided (Used) by Operating Activities	$ 106,441	$ 147,564

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Town of Red Cliff, Colorado was formed in 1883. The Town is governed by a Mayor and Board of Trustees elected by the residents.

The accounting policies of the Town of Red Cliff, Colorado (the "Town") conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the Town of Red Cliff has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based on the application of these criteria, the Town does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Government-Wide and Fund Financial Statements (Continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 to be *available* when they are collected 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.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The *Water and Sanitation Enterprise* accounts for the financial activities associated with the provision of water and wastewater operations.

Cash and Investments

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such 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.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Capital Assets (Continued)

Property and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 years
Water and Sewer System	15 - 40 years
Machinery and Equipment	5 - 15 years
Infrastructure	15 years

Interfund Balances

Balances at year-end between funds are report as "due to/from other funds" in the fund financial statements and as internal balances in the statement of Net Position.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

NOTE 1: *<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>* (Continued)

Net Position (Continued)

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represents assets that do not have any third party limitation on their use. While Town management may have categorized and segmented portion for various purposes, the Town Council has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- <u>Nonspendable</u> – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Town has classified its prepaid items as nonspendable resources as of December 31, 2016.

- <u>Restricted</u> – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. In addition, the Town has classified the Conservation Trust Fund balance as restricted because their use is restricted for parks and recreation.

- <u>Committed</u> – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

NOTE 1: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (Continued)

Fund Balance Classification (Continued)

The Town did not have any committed resources as of December 31, 2016.

- <u>Unassigned</u> – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the Town on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, the Town staff submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to December 31, the budget is legally enacted through passage of a resolution.

- The Town Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Board of Trustees.

- Budgets are legally adopted for all funds of the Town. Budgets for the General and Conservation Trust Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparison presented for the Water & Sewer Enterprise is presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures. Depreciation expense is not budgeted.

- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Board of Trustees. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

Legal Compliance

The actual expenditures of the Conservation Trust Fund exceeded the budgeted amount by $20,000. This may be a violation of State Statute. This was due to $20,000 from the Conservation Trust Fund was used to purchase the second half of the land for the Communication Tower. The amount was previously budgeted at $30,000 in 2015, but disallowed at that time for Tower construction.

NOTE 3: ***DEPOSITS AND INVESTMENTS***

A summary of deposits and investments as of December 31, 2016 follows:

Cash Deposits	$	155,244
Investments		71,887
Total	**$**	**227,131**

The above amounts are classified in the statement of Net Position as follows:

Cash and Investments	$	192,216
Restricted Cash and Investments		34,915
Total	**$**	**227,131**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At December 31, 2016 State regulatory commissioners have indicated that all financial institutions holding deposits for the Town are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is 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 102% of the uninsured deposits. The Town has no policy regarding custodial credit risk for deposits.

At December 31, 2016, the Town had deposits with financial institutions with a carrying amount of $155,244. The bank balances with the financial institutions were $172,136. All of these balances were covered by federal depository insurance.

Investments

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3: ***DEPOSITS AND INVESTMENTS*** (Continued)

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

The District had invested $71,887 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned 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 entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Restricted Cash

At December 31, 2016, cash in the amount of $15,927 is restricted in the Conservation Trust Fund for statutorily authorized purposes and $18,988 is restricted as a reserve on the USDA Loans in the Water and Sanitation Enterprise Fund.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 is summarized below:

	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
Governmental Activities				
Capital Assets, not depreciated				
Land	$ 60,156	$ 25,275	$ -	$ 85,431
Construction in Progress	134,089	48,724	-	182,813
Total Capital Assets, not depreciated	194,245	73,999	-	268,244
Capital Assets, depreciated				
Buildings	91,484	-	-	91,484
Machinery and Equipment	211,645	-	-	211,645
Improvements/Infrastructure	53,669	-	-	53,669
Total Capital Assets, depreciated	356,798	-	-	356,798
Less Accumulated Depreciation				
Buildings	89,877	1,607	-	91,484
Machinery and Equipment	194,940	3,150	-	198,090
Improvements/Infrastructure	32,914	3,579	-	36,493
Total Accumulated Depreciation	317,731	8,336	-	326,067
Total Capital Assets, depreciated, Net	39,067	(8,336)	-	30,731
Governmental Activities, Capital Assets, Net	**$ 233,312**	**$ 65,663**	**$ -**	**$ 298,975**

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

Governmental Activities	
General Government	$ 1,607
Public Works	6,729
Total	**$ 8,336**

NOTE 4: ***CAPITAL ASSETS*** (Continued)

	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
Business-Type Activities				
Capital Assets, depreciated				
Sewer System	$ 4,752,781	$ -	$ -	$ 4,752,781
Water Treatment Plant	1,273,405	-	-	1,273,405
Water Distribution System	104,627	-	-	104,627
Microfiltration System	577,715	-	-	577,715
Machinery and Equipment	166,223	10,000	101,523	74,700
Total Capital Assets, depreciated	6,874,751	10,000	101,523	6,738,228
Less: Accumulated Depreciation				
Sewer System	740,682	119,354	-	860,036
Water Treatment Plant	797,663	30,275	-	827,938
Water Distribution System	35,031	2,616	-	37,647
Microfiltration System	197,156	14,443	-	211,599
Machinery and Equipment	127,709	9,707	101,523	35,893
Total Accumulated Depreciation	1,898,241	176,395	101,523	1,973,113
Total Capital Assets, depreciated, Net	4,976,510	(166,395)	-	4,810,115
Business-Type Activities, Capital Assets, Net	**$ 4,976,510**	**$ (166,395)**	**$ -**	**$ 4,810,115**

NOTE 5: ***INTERFUND BALANCES AND TRANSFERS***

Transfers

During the year ended December 31, 2016, the General Fund transferred $30,000 Conservation Trust Fund to reimburse expenditures that were not considered eligible by DOLA.

NOTE 6: ***LONG-TERM DEBT***

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2016.

	Balance 12/31/15	Additions	Payments	Balance 12/31/16	Due In One Year
USDA Revenue Bonds					
Series 2012-A	$ 238,266	$ -	$ 4,404	$ 233,862	$ 4,495
Series 2012-B	247,663	-	4,745	242,918	4,643
Notes Payable	334,104	110,172	157,549	286,727	84,414
Total	**$ 820,033**	**$ 110,172**	**$ 166,698**	**$ 763,507**	**$ 93,552**

USDA Revenue Bonds

Series 1971 USDA Revenue Bonds were issued for the purpose of construction and improvement of the Town's water and sewer system. The bonds carried an interest rate of 5%. During 2013, the outstanding principal balance and accrued interest were re-amortized with Series 1981, 1992 & 1998 into the new Series 2012-1 and 2012-B.

Series 1981 USDA Revenue Bonds were issued for the purpose of construction and improvement of the Town's water and sewer system. The bonds carry and interest rate of 5%. During 2013, the outstanding principal balance and accrued interest were re-amortized with Series 1971, 1992 & 1998 into the new Series 2012-1 and 2012-B. See related note below.

Series 1992 USDA Revenue Bonds were issued for the purpose of construction and improvement of the Town's water and sewer system. The bonds carried interest rate of 5.75%. During 2013, the outstanding principal balance and accrued interest were re-amortized with Series 1971, 1981 & 1998 into the new Series 2012-1 and 2012-B.

Series 1998 USDA Revenue Bonds were issued for the purpose of construction and improvement of the Town's water and sewer system. The bonds carried interest rate of 4.5%. During 2013, the outstanding principal balance and accrued interest were re-amortized with Series 1971, 1981 & 1992 into the new Series 2012-1 and 2012-B.

NOTE 6: ***<u>LONG-TERM DEBT</u>*** (Continued)

USDA Revenue Bonds (Continued)

During 2013, the Town renegotiated its agreements with the USDA. The four prior outstanding series of revenue bonds (1971, 1981, 1992 and 1998) with outstanding principal of $400,433 plus the accrued but unpaid interest of $117,367 were combined into two new USDA Revenue Refunding Bonds; Series 2012-A and 2012-B. The new bonds carry an interest rate of 2.125% and were formally issued on December 14, 2013 with a 40-year term. Monthly principal and interest payments of $777 (Series A) and $829 (Series B) are due through December 14, 2052.

Notes Payable

<u>Eagle River Water and Sanitation</u>

In 2008, the Town entered into a loan agreement with Eagle River Water and Sanitation District ("ERWSD"). Proceeds were used to fund water and wastewater system improvements. The loan carries no interest. Although no formal agreement has been executed between the two parties, the Town has agreed to make annual payments in the amount of $25,000 until the loan is paid in full.

During 2013 the Town renegotiated its note payable with ERWSD. The Town incurred additional expenses with ERWSD due to a freeze in the Town's water main. To address these additional charges and combine all amounts due, the Town signed a new Promissory Note with ERWSD for $225,000 that carries an interest rate of 3.0%, with a ten-year term. The note calls for semi-annual principal and interest payments of $13,000 on April 30th and October 31st of each year.

<u>Banc of America – Deutsche Bank</u>

In July 2001, the Town entered into a loan agreement with Banc of America (assigned to Deutsche Bank in 2012), formerly LaSalle Bank National Association. Proceeds were used to construct the Town's water microfiltration system. The loan carries an interest rate of 3.48%. Principal and interest payments in the amount of $20,000 are due semi-annually in May and November through 2019. This loan was refinanced with the NBH Loan in 2016.

<u>NBH Loan</u>

In May 2016 the Town entered into a new loan agreement. The proceeds were used to refinance the Town's loan with Banc of America for its microfiltration system. The new agreement carries and interest rate of 3.25% and requires semi-annual principal and interest payments in the amount of $12,047 through May 2021

NOTE 6: ***LONG-TERM DEBT*** (Continued)

Notes Payable (Continued)

Eagle County

During 2013, the Town entered into an agreement with Eagle County to cover some costs associated with the emergency water main freeze. The County granted the Town $10,500 and then lent them an additional $41,683. The amount carries no interest and was due on or before December 31, 2015. No payment was made on the outstanding balance during 2016.

Future Debt Service Requirements

Estimated annual debt service requirements for the outstanding debt at December 31, 2016 are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	$ 93,552	$ 17,498	$ 111,050
2018	53,454	15,913	69,367
2019	55,064	14,303	69,367
2020	56,723	12,644	69,367
2021	46,387	10,933	57,320
2022 – 2026	82,495	43,889	126,384
2027 – 2031	59,116	37,244	96,360
2032 – 2036	65,737	30,623	96,360
2037 – 2041	73,099	23,261	96,360
2042 – 2046	81,286	15,074	96,360
2047 – 2051	87,328	5,971	93,299
2052	9,266	84	9,350
Total Debt Service Requirements	**$ 763,507**	**$ 227,437**	**$ 990,944**

NOTE 7: ***RISK MANAGEMENT***

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Commercial insurance coverage is purchased to handle these risks of loss. Claims have not exceeded insured amounts in the last three years.

NOTE 8: ***COMMITMENTS AND CONTINGENCIES***

Land Leases

In June 2007, the Town entered into a land lease with Union Pacific Railroad Company to rent a piece of property for the Town's wastewater treatment plant. The lease called for an initial annual lease payment of $1,500, which increases in increments of 3% annually. The initial lease term was for one year, and the lease automatically extends for an additional year unless terminated by either party. The Town paid $2,388 under the terms of this agreement in 2016.

Operations Agreement

In March 2013, the Town entered into an agreement with Water Quality Control Professionals ("WQCP") for operations and maintenance services for the Town's water and wastewater treatment and collection system. Under the terms of the agreement, WQCP provides repair, maintenance, and operating services to the Town. WQCP invoices the Town monthly based on an agreed upon monthly rate plus any additional expenses. The monthly rate may be adjusted annually based on the Consumer Price Index. For 2016, the Town paid $46,449 for these services.

Claims and Judgments

The Town participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of December 31, 2016, significant amounts of grant expenditures have not been audited but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Town.

Tabor Amendment

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 government. On November 5, 1996, voters within the Town approved the collection, retention and expenditure of the full revenues generated by the Town in 1996 and subsequent years for street improvement projects, capital projects, basic municipal services and/or lawful municipal purposes, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of $16,500 was recorded in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RED CLIFF, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES					
Taxes	$ 163,492	$ 175,540	$ 182,673	$ 7,133	$ 170,554
Licenses and Permits	1,900	20,397	20,539	142	7,062
Franchise Fees	7,800	7,673	8,050	377	10,137
Intergovernmental	45,348	57,818	85,140	27,322	171,043
Charges for Services	15,120	21,326	26,489	5,163	21,510
Interest Income	-	125	354	229	134
Miscellaneous	-	3,158	6,924	3,766	1,696
TOTAL REVENUES	233,660	286,037	330,169	44,132	382,136
EXPENDITURES					
Current					
General Government					
Salaries	86,213	86,213	76,593	9,620	77,931
Professional Services	19,600	19,600	38,650	(19,050)	46,419
General and Administrative	32,268	32,268	33,042	(774)	35,202
Board Stipend	9,000	9,000	12,680	(3,680)	13,860
Insurance	10,564	10,564	21,325	(10,761)	22,440
Public Works					
Equipment Repair and Maintenance	21,000	21,000	19,686	1,314	7,690
Buildings and Grounds	-	-	5,497	(5,497)	11,503
Road and Bridge	-	-	5,613	(5,613)	1,580
Capital Outlay	54,848	127,281	92,790	34,491	165,562
TOTAL EXPENDITURES	233,493	305,926	305,876	50	382,187
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	167	(19,889)	24,293	44,182	(51)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	30,000
Transfers Out	-	-	(30,000)	(30,000)	(534,262)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(30,000)	(30,000)	(504,262)
NET CHANGE IN FUND BALANCE	167	(19,889)	(5,707)	14,182	(504,313)
FUND BALANCE, Beginning	69,137	69,137	115,439	46,302	619,752
FUND BALANCE, Ending	$ 69,304	$ 49,248	$ 109,732	$ 60,484	$ 115,439

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

TOWN OF RED CLIFF, COLORADO

CONSERVATION TRUST FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES				
Intergovernmental	$ 2,600	$ 2,943	$ 343	$ 2,550
Interest Income	-	-	-	189
TOTAL REVENUES	2,600	2,943	343	2,739
EXPENDITURES				
Capital Outlay	-	20,000	(20,000)	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,600	(17,057)	(19,657)	2,739
OTHER FINANCING SOURCES (USES)				
Transfers In	-	30,000	30,000	-
Transfers Out	-	-	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	30,000	30,000	(30,000)
NET CHANGE IN FUND BALANCE	2,600	12,943	10,343	(27,261)
FUND BALANCE, Beginning	2,845	2,984	139	30,245
FUND BALANCE, Ending	$ 5,445	$ 15,927	$ 10,482	$ 2,984

See the accompanying independent auditors' report.

TOWN OF RED CLIFF, COLORADO

WATER & SANITATION ENTERPRISE
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016 ORIGINAL AND FINAL BUDGET	2016 ACTUAL	2016 VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES				
Charges for Services	$ 283,000	$ 291,538	$ 8,538	$ 275,278
Intergovernmental	-	-	-	56,825
Interest Income	-	41	41	65
Miscellaneous	-	10,000	10,000	-
Transfers in	-	-	-	534,262
TOTAL REVENUES	283,000	301,579	18,579	866,430
EXPENDITURES				
Water Operations	50,440	43,503	6,937	40,441
Wastewater Operations	51,370	55,655	(4,285)	57,982
General and Administrative	84,916	60,923	23,993	58,979
Capital Outlay	11,000	10,000	1,000	55,423
Debt Service	85,272	77,319	7,953	85,272
TOTAL EXPENDITURES	282,998	247,400	35,598	298,097
NET INCOME, Budget Basis	$ 2	54,179	$ 54,177	568,333
GAAP BASIS ADJUSTMENTS				
Capital Outlay		10,000		55,423
Depreciation Expense		(176,395)		(176,395)
Principal Paid on Long-Term Debt		56,526		59,047
NET INCOME, GAAP Basis		(55,690)		506,408
NET POSITION, Beginning		4,202,611		3,696,203
NET POSITION, Ending		$ 4,146,921		$ 4,202,611

See the accompanying independent auditors' report.

STATE COMPLIANCE

Calendar Year 2016

LOCAL HIGHWAY FINANCE REPORT

COUNTY/CITY:Red Cliff

II - RECEIPTS FOR ROAD AND STREET PURPOSES

A. Receipts from local sources		
2. General Fund Appropriations:	$	0.00
3. Other local imposts: *from A.3. 'Total' below)*	$	8,867.44
4. Miscellaneous local receipts: *from A.4. 'Total' below)*	$	0.00
5. Transfers from toll facilities	$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	$	0.00
b. Bonds - Refunding Issues:	$	0.00
c. Notes:	$	0.00
SubTotal:	$	8,867.44
B. Private Contributions	$	0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

A.3. Other local imposts		
a. Property Taxes and Assessments	$	0.00
b. Other Local Imposts		
1. Sales Taxes:	$	0.00
2. Infrastructure and Impact Fees:	$	0.00
3. Liens:	$	0.00
4. Licenses:	$	0.00
5. Specific Ownership and/or Other:	$	8,867.44
Total: *(a + b) carried to 'Other local imposts' above)*	$	8,867.44

A.4. Miscellaneous local receipts		
a. Interest on Investments:	$	0.00
b. Traffic fines & Penalties:	$	0.00
c. Parking Garage Fees:	$	0.00
d. Parking Meter Fees:	$	0.00
e. Sale of Surplus Property:	$	0.00
f. Charges for Services:	$	0.00
g. Other Misc. Receipts:	$	0.00
h. Other:	$	0.00
Total: *(a through h) carried to 'Misc local receipts' above)*	$	0.00

C. Receipts from State Government

1. Highway User Taxes:	$	10,296.58
3. Other State funds:		
c. Motor Vehicle Registrations:	$	0.00
d. Other: Comments: undefined	$	0.00
e. Other: Comments: undefined	$	0.00
Total: *(1+3c,d,e)*	$	10,296.58

D. Receipts from Federal Government

2. Other Federal Agencies		
a. Forest Service:	$	0.00
b. FEMA:	$	0.00
c. HUD:	$	0.00
d. Federal Transit Administration:	$	0.00
e. U.S. Corp of Engineers	$	0.00
f. Other Federal:	$	0.00
Total: *(2a-f)*	$	0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

A. Local highway disbursements

1. Capital outlay: *(from A.1.d. Total Capital Outlay below)*	$	0.00
2. Maintenance:	$	10,653.75
3. Road and street services		
a. Traffic control operations:	$	0.00
b. Snow and ice removal:	$	7,132.50
c. Other:	$	0.00
4. General administration & miscellaneous	$	2,477.50
5. Highway law enforcement and safety	$	0.00
Total: *(A.1-5)*	$	20,263.75

B. Debt service on local obligations

Total Disbursements: (A+B+C+D) $ 20,263.75

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	$ 0.00	$ 0.00	$ 0.00
b. Engineering Costs:	$ 0.00	$ 0.00	$ 0.00
c. Construction			
1. New Facilities:	$ 0.00	$ 0.00	$ 0.00
2. Capacity Improvements:	$ 0.00	$ 0.00	$ 0.00
3. System Preservation:	$ 0.00	$ 0.00	$ 0.00
4. System Enhancement:	$ 0.00	$ 0.00	$ 0.00
5. Total Construction:			$ 0.00
d. Total Capital Outlay: *(Lines A.1.a. + 1.b. + 1.c.5)*			$ 0.00

IV. LOCAL HIGHWAY DEBT STATUS

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1. Bonds (Refunding Portion)		$ 0.00	$ 0.00	$ 0.00
B. Notes (Total):	$ 0.00	$ 0.00	$ 0.00	$ 0.00

V - LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C.Total Disbursements	D. Ending Balance	E. Reconciliation
$ 1,273.00	$ 19,164.02	$ 20,263.75	$ 173.27	$ 0.00

Notes & Comments:
undefined

Date Submitted: 04/10/2017