

TOWN OF RED CLIFF, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2017

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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, 2017, 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, 2017, 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

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 Luthr & Associates, LLC

July 30, 2018

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, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,518,306. The largest portion of the Town's total assets reflects its' investment in capital assets of \$4,227,124.
- The Town's total Net Position decreased by \$53,249 for 2017.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balances of \$149,613, an increase of \$23,954 from prior year.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$111,200.
- The Town's total long-term debt decreased by -\$76,961 during the fiscal year. The balance at the end of the fiscal year was \$686,546.

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. Additionally, we have had additional home sites developed and expect the increase in the number of housing units and increases to value to continue through the next year.

Grants for communication towers for broadband, started in 2015, have been completed in 2017. The CIP grant through DOLA for better financial planning, started at the end of 2015 is now complete. Small grants for additional budget training were provided by DOLA.

In 2017, a savings of \$20,000 has been committed for future road and bridge work along with a streetscape design process which started in 2018 with a grant from DCI. The savings has also been budgeted for 2018.

Enterprise Account. Red Cliff continues to produce the best tasting water for its residents. The wastewater treatment plant functioned well through 2017 with no major problems.

Funds have been placed in reserve to offset any upgrades or maintenance necessary. At the end of 2017 the reserve account had \$25,185.

Our residents have one of the highest water service fees in the state due to debt. 2017 funds of \$5557 have been set aside for an early pay-down of water service debt. Additional funds will be set aside in 2018 for paying off the NBH debt on the water system.

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 Position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in Net Position 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 Position 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 Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$312,120	\$263,520	\$ 143,559	\$ 115,405	455,679	378,925
Capital assets, net	<u>283,105</u>	<u>298,975</u>	<u>4,633,720</u>	<u>4,810,115</u>	<u>4,916,825</u>	<u>5,109,090</u>
Total Assets	595,225	562,495	4,777,279	4,925,520	5,372,504	5,488,015
Liabilities:						
Other Liabilities	162,507	137,861	5,145	15,092	167,652	152,953
Long-term liabilities	<u>-</u>	<u>-</u>	<u>686,546</u>	<u>763,507</u>	<u>686,546</u>	<u>763,507</u>
Total Liabilities	162,507	137,861	691,691	778,599	854,198	916,460
Net Position:						
Invested in capital assets, Net of related debt	283,105	298,975	3,944,109	4,043,451	4,227,124	4,342,426
Restricted	18,000	16,500	-	-	18,000	16,500
Unrestricted	<u>131,613</u>	<u>109,159</u>	<u>141,569</u>	<u>103,470</u>	<u>273,182</u>	<u>212,629</u>
Total Net Position	<u>\$ 432,718</u>	<u>\$ 424,634</u>	<u>\$4,085,588</u>	<u>\$4,146,921</u>	<u>\$4,518,306</u>	<u>\$4,571,555</u>

Over time Net Position may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,518,306 at the close of 2017. The largest portion of the Town's total assets reflects its investment in capital assets.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Charges for Services	\$ 18,842	\$ 26,489	\$ 287,501	\$ 291,538	\$ 306,343	\$ 318,027
Taxes	201,313	182,673	-	-	201,313	182,673
Licenses and permits	34,776	20,539	-	-	34,776	20,539
Fees	6,373	8,050	-	-	6,373	8,050
Intergovernmental	37,593	88,083	-	-	37,593	88,083
Interest Income (expense)	700	354	-17,154	-20,752	-16,454	-20,398
Miscellaneous	<u>21,944</u>	<u>6,924</u>	<u>15,000</u>	<u>10,000</u>	<u>36,944</u>	<u>16,924</u>
Total	321,541	333,112	285,347	280,786	606,888	613,898
Expenses:						
General Government	253,771	222,688	73,046	60,923	326,817	283,611
Public Works	59,686	37,525	-	-	59,686	37,525
Safety	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-
Water and Wastewater Operations	-	-	97,239	99,158	97,239	99,158
Capital Outlay	-	-	-	-	-	-
Depreciation and Amortization	-	-	176,395	176,395	176,395	176,395
Transfers	-	-	-	-	-	-
Total	<u>313,457</u>	<u>260,213</u>	<u>346,680</u>	<u>336,476</u>	<u>660,137</u>	<u>596,689</u>
Change in Net Position	8,084	72,899	-61,333	-55,690	-53,249	17,209
Net Position – Beginning	424,634	351,735	4,146,921	4,202,611	4,571,555	4,554,346
Net Position – Ending	<u>432,718</u>	<u>424,634</u>	<u>4,085,588</u>	<u>4,146,921</u>	<u>4,518,306</u>	<u>4,571,555</u>

The Town's total Net Position decreased by (-\$53,249) in 2017.

Governmental activities

Governmental activities increased the Town's Net Position in 2017 by \$8,084. This was an increase of \$64,815 from 2016. Some of the highlights of the decrease are listed below.

Revenues decreased by (-\$11,571). The decrease was a result of the following:

Taxes increased by \$18,640 (~10%) including in part:

Sales Taxes increased by \$10,755 (~22% increase)

Property Taxes increased by \$6,540 (~5.7% increase)

Ownership Taxes increased by \$1,305 (~26% increase)

Charges for Services (Bldg Permits/Planning Fees/Licenses) increased by \$13,097 (~64% increase)

Rental Income decrease by -\$10,158 (~38%)

Revenue increase due to Insurance Claim (Bridge) of \$19,449

Other Revenues (primarily Grants) decreased by (-\$52,601)

Expenses increased by (\$53,244). The increase was primarily a result of:

Payroll Expenses increased by \$18,180 (~23.5%)

Deputy Clerk increased by \$14,000

Payroll Allocations decreased by (-\$4,180)

Professional Fees (Passthrough) of \$40,709 for Planner, Engineering & Inspection

General Operations increased by \$4,783 (~13% increase)

Public Works Operations increased by \$9,572 (~30% increase) primarily due to:

Bridge Damage Repair of \$20,550

Decrease in Equip Repair and Road & Bridge of \$10,978

Decrease in Interfund Transfers (-\$20,000)

Business-type Activities:

Business-type activities decreased the Town's Net Position by (-\$61,333) in 2017. This was an increase of (-\$5,643) from 2016. Highlights of that change are discussed below.

Revenues increased by \$1,174. The increase was a result of:

Water & Sewer Fees increased by \$10,612 (~4% increase)

Miscellaneous decrease of (-\$10,000) (Value of donated equipment in 2016)

Miscellaneous (Interest & Fees) increased by \$562

Expenses increased by \$6,817. The increase was primarily a result of:

Payroll Allocations decreased by (-\$3,918) (~7% decrease)

Professional Fees increased by \$14,403 (100% increase)

Water/Wastewater Ops decreased by (-\$936)

General Ops including Interest Expense decreased by (\$2,732)

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 \$91,369 in fiscal year 2017: \$76,961 in Principal and \$17,408 in Interest.

Principal Payments of \$21,808 were made to Eagle River Water and Sanitation District, \$45,923 to NBH and \$9,230 to USDA.

The current portion (due in 1 year: 2018) of the outstanding long-term debt (\$895,506) is \$111,050 (\$95,137 in principal and \$15,913 in interest).

See Note 6 for more information.

Budget Comparisons and Economic Factors

- Revenues in the General fund were higher than anticipated for 2017 by \$37,397.
- Revenues in the Enterprise fund were higher than anticipated by \$13,003 for 2017.
- Expenditures in the General fund were higher than planned by \$6,323 for 2017.
- Expenditures in the Enterprise fund were \$19,747 lower than anticipated for 2017.
- The Town is optimistic that for 2018 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 or 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, 2017

	GOVERNMENTAL	BUSINESS TYPE	TOTALS	
	ACTIVITIES	ACTIVITIES	2017	2016
ASSETS				
Cash and Investments	\$ 86,900	\$ 193,732	\$ 280,632	\$ 192,216
Restricted Cash and Investments	18,693	25,185	43,878	34,915
Receivables				
Property Taxes	129,449	-	129,449	122,737
Accounts	-	-	-	28,125
Interfund Balances	75,358	(75,358)	-	-
Prepaid Items	1,720	-	1,720	932
Capital Assets, Not Depreciated	85,431	-	85,431	268,244
Capital Assets, Depreciated Net of Accumulated Depreciation	197,674	4,633,720	4,831,394	4,840,846
TOTAL ASSETS	595,225	4,777,279	5,372,504	5,488,015
LIABILITIES				
Accounts Payable	20,242	-	20,242	11,968
Accrued Salaries and Benefits	12,816	-	12,816	11,001
Accrued Interest	-	3,155	3,155	3,157
Deposits	-	1,990	1,990	4,090
Noncurrent Liabilities				
Due within One Year	-	95,137	95,137	93,552
Due in More Than One Year	-	591,409	591,409	669,955
TOTAL LIABILITIES	33,058	691,691	724,749	793,723
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	129,449	-	129,449	122,737
Net Position				
Net Investment in Capital Assets	283,105	3,944,019	4,227,124	4,342,426
Restricted for Emergencies	18,000	-	18,000	16,500
Unrestricted	131,613	141,569	273,182	212,629
TOTAL NET POSITION	\$ 432,718	\$ 4,085,588	\$ 4,518,306	\$ 4,571,555

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>CAPITAL</u>
<u>PRIMARY GOVERNMENT</u>		<u>SERVICES</u>	<u>GRANTS AND</u>	<u>GRANTS AND</u>
Governmental Activities			<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>
General Government	\$ 275,362	\$ 53,618	\$ 24,307	\$ -
Public Works	38,095	-	-	10,520
Parks and Recreation	-	-	-	2,766
Total Governmental Activities	313,457	53,618	24,307	13,286
Business-Type Activities				
Water and Sewer Operations	346,680	287,501	-	15,000
Interest on Long-Term Debt	17,406	-	-	-
Total Business-Type Activities	364,086	287,501	-	15,000
Total Primary Government	<u>\$ 677,543</u>	<u>\$ 341,119</u>	<u>\$ 24,307</u>	<u>\$ 28,286</u>

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	
		2017	2016
\$ (197,437)	\$ -	\$ (197,437)	\$ (175,660)
(27,575)	-	(27,575)	47,615
2,766	-	2,766	2,943
(222,246)	-	(222,246)	(125,102)
-	(44,179)	(44,179)	(44,938)
-	(17,406)	(17,406)	(20,793)
-	(61,585)	(61,585)	(65,731)
(222,246)	(61,585)	(283,831)	(190,833)
63,951	-	63,951	53,295
127,668	-	127,668	119,799
6,373	-	6,373	8,050
9,694	-	9,694	9,579
700	252	952	395
21,944	-	21,944	16,924
230,330	252	230,582	208,042
8,084	(61,333)	(53,249)	17,209
424,634	4,146,921	4,571,555	4,554,346
<u>\$ 432,718</u>	<u>\$ 4,085,588</u>	<u>\$ 4,518,306</u>	<u>\$ 4,571,555</u>

TOWN OF RED CLIFF, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS	
			2017	2016
ASSETS				
Cash and Investments	\$ 86,900	\$ -	\$ 86,900	\$ 95,799
Restricted Cash and Investments	-	18,693	18,693	15,927
Taxes Receivable	129,449	-	129,449	122,737
Accounts Receivable, net	-	-	-	28,125
Due from Other Funds	75,358	-	75,358	-
Prepaid Items	1,720	-	1,720	932
TOTAL ASSETS	<u>\$ 293,427</u>	<u>\$ 18,693</u>	<u>\$ 312,120</u>	<u>\$ 263,520</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 20,242	\$ -	\$ 20,242	\$ 4,123
Accrued Salaries and Benefits	12,816	-	12,816	11,001
TOTAL LIABILITIES	<u>33,058</u>	<u>-</u>	<u>33,058</u>	<u>15,124</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	<u>129,449</u>	<u>-</u>	<u>129,449</u>	<u>122,737</u>
FUND EQUITY				
Fund Balance				
Nonspendable	1,720	-	1,720	932
Restricted for Emergencies	18,000	-	18,000	16,500
Restricted for Parks and Recreation	-	18,693	18,693	15,927
Unassigned	111,200	-	111,200	92,300
TOTAL FUND EQUITY	<u>130,920</u>	<u>18,693</u>	<u>149,613</u>	<u>125,659</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	<u>\$ 293,427</u>	<u>\$ 18,693</u>		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u>283,105</u>	<u>298,975</u>
Net position of governmental activities	<u>\$ 432,718</u>	<u>\$ 424,634</u>

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, 2017

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS	
			2017	2016
REVENUES				
Taxes	\$ 201,313	\$ -	\$ 201,313	\$ 182,673
Licenses and Permits	34,776	-	34,776	20,539
Franchise Fees	6,373	-	6,373	8,050
Intergovernmental	34,827	2,766	37,593	88,083
Charges for Services	18,842	-	18,842	26,489
Interest Income	700	-	700	354
Miscellaneous	21,944	-	21,944	6,924
TOTAL REVENUES	318,775	2,766	321,541	333,112
EXPENDITURES				
General Government	244,630	-	244,630	182,290
Public Works	41,040	-	41,040	30,796
Capital Outlay	11,917	-	11,917	112,790
TOTAL EXPENDITURES	297,587	-	297,587	325,876
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,188	2,766	23,954	7,236
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	30,000
Transfers Out	-	-	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	21,188	2,766	23,954	7,236
FUND BALANCES, Beginning	109,732	15,927	125,659	118,423
FUND BALANCES, Ending	\$ 130,920	\$ 18,693	\$ 149,613	\$ 125,659

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, 2017

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 23,954
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 of depreciation expense for the year.	<u>(15,870)</u>
Change in Net Position of Governmental Activities	<u>\$ 8,084</u>

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, 2017

	2017	2016
ASSETS		
Current Assets		
Cash and Investments	\$ 193,732	\$ 96,417
Restricted Cash and Investments	25,185	18,988
Total Current Assets	218,917	115,405
Noncurrent Assets		
Capital Assets, net of accumulated depreciation	4,633,720	4,810,115
TOTAL ASSETS	4,852,637	4,925,520
LIABILITIES		
Current Liabilities		
Accounts Payable	-	7,845
Due to General Fund	75,358	-
Deposits	1,990	4,090
Accrued Interest Payable	3,155	3,157
Current Portion of Long Term Debt	95,137	93,552
Total Current Liabilities	175,640	108,644
Noncurrent Liabilities		
Notes Payable	133,216	202,313
Bonds Payable	458,193	467,642
Total Noncurrent Liabilities	591,409	669,955
TOTAL LIABILITIES	767,049	778,599
NET POSITION		
Net Investment in Capital Assets	3,944,019	4,043,451
Unreserved	141,569	103,470
TOTAL NET POSITION	\$ 4,085,588	\$ 4,146,921

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, 2017

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 287,501	\$ 291,538
Miscellaneous Income	-	10,000
TOTAL OPERATING REVENUES	287,501	301,538
OPERATING EXPENSES		
Water Operations	41,359	43,503
Wastewater Operations	55,880	55,655
General and Administrative	73,046	60,923
Depreciation and Amortization	176,395	176,395
TOTAL OPERATING EXPENSES	346,680	336,476
OPERATING LOSS	(59,179)	(34,938)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	252	41
Interest Expense	(17,406)	(20,793)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(17,154)	(20,752)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(76,333)	(55,690)
Capital Contributions - Tap Fees	15,000	-
CHANGE IN NET POSITION	(61,333)	(55,690)
NET POSITION, Beginning	4,146,921	4,202,611
NET POSITION, Ending	\$ 4,085,588	\$ 4,146,921

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, 2017

Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 287,501	\$ 301,538
Cash Paid to Suppliers	(104,872)	(195,097)
Net Cash Provided (Used) by Operating Activities	<u>182,629</u>	<u>106,441</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	-	(10,000)
Payments on Long-Term Debt	(76,961)	(166,698)
Proceeds from Long-Term Debt	-	110,172
Capital Contribution - Tap Fees	15,000	-
Interest Payments	(17,408)	(20,793)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(79,369)</u>	<u>(87,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>252</u>	<u>41</u>
Net Increase in Cash and Cash Equivalents	103,512	19,163
CASH AND CASH EQUIVALENTS, Beginning	<u>115,405</u>	<u>96,242</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 218,917</u></u>	<u><u>\$ 115,405</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	<u>\$ (59,179)</u>	<u>\$ (34,938)</u>
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 Payable	(7,845)	1,198
Deposits	(2,100)	-
Due to Other Funds	75,358	(36,214)
Total Adjustments	<u>241,808</u>	<u>141,379</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 182,629</u></u>	<u><u>\$ 106,441</u></u>

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

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 acquisition 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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

- Nonspendable – 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, 2017.
- Restricted – 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.
- Committed – 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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

The Town did not have any committed resources as of December 31, 2017.

- Unassigned – 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.

TOWN OF RED CLIFF, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 General Fund exceeded the budgeted amount by \$6,323. This may be a violation of State Statute.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2017 follows:

Cash Deposits	\$ 245,882
Investments	<u>78,628</u>
Total	<u>\$ 324,510</u>

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

Cash and Investments	\$ 280,632
Restricted Cash and Investments	<u>43,878</u>
Total	<u>\$ 324,510</u>

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, 2017 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, 2017, the Town had deposits with financial institutions with a carrying amount of \$245,882. The bank balances with the financial institutions were \$246,192. 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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

The District had invested \$78,628 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.

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. For the year ended December 31, 2017 the Town does not report any investments requiring categorization.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Restricted Cash

At December 31, 2017, cash in the amount of \$18,693 is restricted in the Conservation Trust Fund for statutorily authorized purposes and \$25,185 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, 2017 is summarized below:

	Balances <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/17</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 85,431	\$ -	\$ -	\$ 85,431
Construction in Progress	<u>182,813</u>	<u>-</u>	<u>182,813</u>	<u>-</u>
Total Capital Assets, not depreciated	<u>268,244</u>	<u>-</u>	<u>182,813</u>	<u>85,431</u>
Capital Assets, depreciated				
Buildings	91,484	-	-	91,484
Machinery and Equipment	211,645	-	-	211,645
Improvements/Infrastructure	<u>53,669</u>	<u>182,813</u>	<u>-</u>	<u>236,482</u>
Total Capital Assets, depreciated	<u>356,798</u>	<u>182,813</u>	<u>-</u>	<u>539,611</u>
Less Accumulated Depreciation				
Buildings	91,484	-	-	91,484
Machinery and Equipment	198,090	3,151	-	201,241
Improvements/Infrastructure	<u>36,493</u>	<u>12,719</u>	<u>-</u>	<u>49,212</u>
Total Accumulated Depreciation	<u>326,067</u>	<u>15,870</u>	<u>-</u>	<u>341,937</u>
Total Capital Assets, depreciated, Net	<u>30,731</u>	<u>166,943</u>	<u>-</u>	<u>197,674</u>
Governmental Activities, Capital Assets, Net	<u>\$ 298,975</u>	<u>\$ 166,943</u>	<u>\$ 182,813</u>	<u>\$ 283,105</u>

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

Governmental Activities

General Government	\$ 9,141
Public Works	<u>6,729</u>
Total	<u>\$ 15,870</u>

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: CAPITAL ASSETS (Continued)

	Balances <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/17</u>
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	<u>74,700</u>	<u>-</u>	<u>-</u>	<u>74,700</u>
Total Capital Assets, depreciated	<u>6,738,228</u>	<u>-</u>	<u>-</u>	<u>6,738,228</u>
Less: Accumulated Depreciation				
Sewer System	860,036	119,354	-	979,390
Water Treatment Plant	827,938	30,275	-	858,213
Water Distribution System	37,647	2,616	-	40,263
Microfiltration System	211,599	14,443	-	226,042
Machinery and Equipment	<u>35,893</u>	<u>9,707</u>	<u>-</u>	<u>45,600</u>
Total Accumulated Depreciation	<u>1,973,113</u>	<u>176,395</u>	<u>-</u>	<u>2,149,508</u>
Total Capital Assets, depreciated, Net	<u>4,810,115</u>	<u>(176,395)</u>	<u>-</u>	<u>4,633,720</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 4,810,115</u>	<u>\$ (176,395)</u>	<u>\$ -</u>	<u>\$ 4,633,720</u>

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund Balances

During the year ended December 31, 2017, the Water and Sanitation Enterprise Fund owes General Fund \$75,358 due to timing of expenditures that were paid by the General Fund and not yet reimbursed by the Enterprise Fund.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017.

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/17</u>	Due In <u>One Year</u>
USDA Revenue Bonds					
Series 2012-A	\$ 233,862	\$ -	\$ 4,397	\$ 229,465	\$ 4,491
Series 2012-B	242,918	-	4,833	238,085	4,866
Notes Payable	<u>286,727</u>	<u>-</u>	<u>67,731</u>	<u>218,996</u>	<u>85,780</u>
 Total	 <u>\$ 763,507</u>	 <u>\$ -</u>	 <u>\$ 76,961</u>	 <u>\$ 686,546</u>	 <u>\$ 95,137</u>

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 an 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 an 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 an 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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: LONG-TERM DEBT (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

Eagle River Water and Sanitation

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.

Banc of America – Deutsche Bank

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.

NBH Loan

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 an interest rate of 3.25% and requires semi-annual principal and interest payments in the amount of \$12,047 through May 2021.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 2017.

Future Debt Service Requirements

Estimated annual debt service requirements for the outstanding debt at December 31, 2017 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 95,137	\$ 15,913	\$ 111,050
2019	55,064	14,303	69,367
2020	43,572	11,863	55,435
2021	34,538	10,734	45,272
2022	39,519	9,777	49,296
2023 – 2027	54,303	42,057	96,360
2028 – 2032	60,384	35,976	96,360
2033 – 2037	67,147	29,213	96,360
2038 – 2042	74,667	21,693	96,360
2043 – 2047	83,030	13,330	96,360
2048 – 2052	<u>79,185</u>	<u>4,101</u>	<u>83,286</u>
Total Debt Service Requirements	<u>\$ 686,546</u>	<u>\$ 208,960</u>	<u>\$ 895,506</u>

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.

TOWN OF RED CLIFF, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 \$2,460 under the terms of this agreement in 2017.

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 2017, the Town paid \$42,384 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, 2017, 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, 2017, the emergency reserve of \$18,000 was recorded in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RED CLIFF, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 182,737	\$ 183,658	\$ 201,313	\$ 17,655	\$ 182,673
Licenses and Permits	1,855	2,114	34,776	32,662	20,539
Franchise Fees	7,700	8,800	6,373	(2,427)	8,050
Intergovernmental	69,756	69,756	34,827	(34,929)	85,140
Charges for Services	15,480	15,480	18,842	3,362	26,489
Interest Income	125	880	700	(180)	354
Miscellaneous	-	690	21,944	21,254	6,924
TOTAL REVENUES	<u>277,653</u>	<u>281,378</u>	<u>318,775</u>	<u>37,397</u>	<u>330,169</u>
EXPENDITURES					
Current					
General Government					
Salaries	97,705	98,854	95,620	3,234	76,593
Professional Services	31,250	71,250	79,359	(8,109)	38,650
General and Administrative	53,381	54,413	38,634	15,779	33,042
Board Stipend	13,800	12,075	12,075	-	12,680
Insurance	19,486	14,756	18,942	(4,186)	21,325
Public Works					
Equipment Repair and Maintenance	12,500	22,100	12,587	9,513	19,686
Buildings and Grounds	4,500	4,500	6,862	(2,362)	5,497
Road and Bridge	26,000	1,500	21,591	(20,091)	5,613
Capital Outlay	11,816	11,816	11,917	(101)	92,790
TOTAL EXPENDITURES	<u>270,438</u>	<u>291,264</u>	<u>297,587</u>	<u>(6,323)</u>	<u>305,876</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,215</u>	<u>(9,886)</u>	<u>21,188</u>	<u>31,074</u>	<u>24,293</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	10,000	-	(10,000)	-
Transfers Out	-	-	-	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>(30,000)</u>
NET CHANGE IN FUND BALANCE	7,215	114	21,188	21,074	(5,707)
FUND BALANCE, Beginning	<u>121,764</u>	<u>121,764</u>	<u>109,732</u>	<u>(12,032)</u>	<u>115,439</u>
FUND BALANCE, Ending	<u>\$ 128,979</u>	<u>\$ 121,878</u>	<u>\$ 130,920</u>	<u>\$ 9,042</u>	<u>\$ 109,732</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

TOWN OF RED CLIFF, COLORADO

CONSERVATION TRUST FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017

	2017			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016 ACTUAL
REVENUES				
Intergovernmental	\$ 2,800	\$ 2,766	\$ (34)	\$ 2,943
TOTAL REVENUES	2,800	2,766	(34)	2,943
EXPENDITURES				
Capital Outlay	-	-	-	20,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,800	2,766	(34)	(17,057)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	30,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	30,000
NET CHANGE IN FUND BALANCE	2,800	2,766	(34)	12,943
FUND BALANCE, Beginning	15,584	15,927	343	2,984
FUND BALANCE, Ending	\$ 18,384	\$ 18,693	\$ 309	\$ 15,927

See the accompanying independent auditors' report.

TOWN OF RED CLIFF, COLORADO

WATER & SANITATION ENTERPRISE
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017

	2017			VARIANCE	2016
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Charges for Services	\$ 274,750	\$ 274,750	\$ 287,501	\$ 12,751	\$ 291,538
Interest Income	-	-	252	252	41
Miscellaneous - Tap Fees	-	15,000	15,000	-	10,000
TOTAL REVENUES	274,750	289,750	302,753	13,003	301,579
EXPENDITURES					
Water Operations	33,320	35,333	41,359	(6,026)	43,503
Wastewater Operations	54,378	71,241	55,880	15,361	55,655
General and Administrative	102,785	83,458	73,046	10,412	60,923
Capital Outlay	-	-	-	-	10,000
Debt Service	79,295	94,367	94,367	-	77,319
TOTAL EXPENDITURES	269,778	284,399	264,652	19,747	247,400
NET INCOME, Budget Basis	\$ 4,972	\$ 5,351	38,101	\$ 32,750	54,179
GAAP BASIS ADJUSTMENTS					
Capital Outlay			-		10,000
Depreciation Expense			(176,395)		(176,395)
Principal Paid on Long-Term Debt			76,961		56,526
NET INCOME, GAAP Basis			(61,333)		(55,690)
NET POSITION, Beginning			4,146,921		4,202,611
NET POSITION, Ending			\$ 4,085,588		\$ 4,146,921

See the accompanying independent auditors' report.

STATE COMPLIANCE

Steps for printing your content and returning to 'Edit Mode

1. Click Ctrl + A on a Windows machine or Command + A on a Mac to select all data.
2. Right-click your mouse and select Print.
3. Confirm that print settings are correct - make sure "selection only" isn't checked.
4. Print hard copy or to PDF.
5. Click "Edit Mode" to return to modifying your data.
6. Remember to click "Save" to save any changes.

ANNUAL HIGHWAY FINANCE REPORT - CY17

Email
address:

City/County:

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	\$ 3197.88
3. Other local imposts: <i>from A.3. 'Total' below)</i>	\$
4. Miscellaneous local receipts: <i>from A.4. 'Total' below)</i>	\$
5. Transfers from toll facilities	\$.00
6. Proceeds of sale of bonds and notes	
a. Bonds - Original Issues:	\$.00
b. Bonds - Refunding Issues:	\$.00
c. Notes:	\$.00

SubTotal: \$ 3197.88

B. Private Contributions

\$.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	\$.00
b. Other Local Imposts	
1. Sales Taxes:	\$.00
2. Infrastructure and Impact Fees:	\$.00
3. Liens:	\$.00

4. Licenses:	\$	.00
5. Specific Ownership and/or Other:	\$	.00
Total: (a + b) carried to 'Other local imposts' above)		\$ 0.00

A.4. Miscellaneous local receipts**Please no commas or dollar signs for the input**

a. Interest on Investments:	\$	.00
b. Traffic fines & Penalties:	\$	.00
c. Parking Garage Fees:	\$	.00
d. Parking Meter Fees:	\$	.00
e. Sale of Surplus Property:	\$	.00
f. Charges for Services:	\$	.00
g. Other Misc. Receipts:	\$	.00
h. Other:	\$	.00

Total: (a through h) carried to 'Misc local receipts' above) \$ 0.00

C. Receipts from State Government**Please no commas or dollar signs for the input**

1. Highway User Taxes:	\$	10,392.10
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	.00
d. Other (Specify):		
Comments:	\$	.00
e. Other (Specify):		
Comments:	\$	.00

Total: (1+3c,d,e) \$ 10,392.10

D. Receipts from Federal Government**Please no commas or dollar signs for the input**

2. Other Federal Agencies		
a. Forest Service:	\$	.00
b. FEMA:	\$	.00
c. HUD:	\$	.00
d. Federal Transit Administration:	\$	.00
e. U.S. Corp of Engineers	\$	.00
f. Other Federal:	\$	.00

Total: (2a-f) \$ 0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: (from A.1.d. 'Total Capital Outlay' below)	\$.00
2. Maintenance:	\$.00
3. Road and street services	
a. Traffic control operations:	\$.00
b. Snow and ice removal:	\$ 7872.75
c. Other:	\$ 5890.50
4. General administration & miscellaneous	\$.00
5. Highway law enforcement and safety	\$.00

Total: (A.1-5) \$ 13,763.25

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds	
a. Interest	\$.00
b. Redemption	\$.00
2. Notes	
a. Interest	\$.00
b. Redemption	\$.00

SubTotal: (1+2) \$ 0.00

Please no commas or dollar signs for the input

C. Payments to State for Highways:	\$.00
D. Payments to Toll Facilities:	\$.00

Total Disbursements: (A+B+C+D) \$ 13,763.25

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			

a. Right-Of-Way Costs:	\$	\$	\$
b. Engineering Costs:	\$	\$	\$
c. Construction			
1. New Facilities:	\$	\$	\$
2. Capacity Improvements:	\$	\$	\$
3. System Preservation:	\$	\$	\$
4. System Enhancement:	\$	\$	\$
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

Please no commas or dollar signs for the input

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

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C.Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 173.27	\$ 13,589.98	\$ 13,763.25	\$ 0.00	\$ 0.00

Notes & Comments:

none

Please enter your name: Barb Smith

Please provide a telephone number where you may be reached: (###)###-####

(970) 827-5303