

**TOWN OF WESTCLIFFE
WESTCLIFFE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

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FINANCIAL SECTION

**Town of Westcliffe
Management's Discussion and Analysis
For the year ended December 31, 2018**

GASB 34 requires that this discussion and analysis be written to provide an overview of Westcliffe's financial activities for the fiscal year ended December 31, 2018. The purpose of this MD&A is to provide, in simple terms, an explanation of the effect on the Town's financial position from local economic and business factors, and to explain the reasons for any changes in the Town's financial position.

The Town believes this new presentation will give a better view of the Town's fund statements and provide for better understanding of the financial position of the Town.

ECONOMIC FACTORS AFFECTING THE TOWN IN 2018

Westcliffe is located in the Wet Mountain Valley in south-central Colorado in Custer County, and has a population of 568 (per 2010 Census), and consists of approximately 781 acres or 1.22 square miles.

Westcliffe was incorporated as a statutory town under the laws of the State of Colorado in 1887 and operates under an elected Mayor-Board form of government. The Town Board consists of a Mayor and six trustees, all elected at-large. The Board appoints or hires the Clerk/Treasurer, Building/Zoning Enforcement Officer, Town Maintenance Man, Town Attorney and Municipal Court Judge.

Westcliffe is not a full-service town. Police protection is provided by the Custer County Sheriff's Department, fire protection by the Wet Mountain Fire Protection District and water and wastewater treatment by Round Mountain Water & Sanitation District. Westcliffe provides their own street and parks maintenance and maintains approximately 10.4 miles of streets and 4 parks.

Factors affecting the Town's economy are the lack of jobs, affordable housing and the lack of entertainment and activities. Because 60% of Westcliffe's revenues are generated from sales tax, tourism greatly affects Westcliffe's budget. Westcliffe is located approximately 50 miles from any city of size and is not what is considered a "destination town".

Development in Westcliffe has picked up, the once inflated costs of available vacant property and higher costs of construction have leveled in our area. The improvement at the national level has also contributed to our economic growth. The board and staff of Round Mountain Water and Sanitation have assured the Town that there is water available to double the current usage so there will be water available for future growth when the economy allows. Infrastructure improvements to our local waste water system may be needed in the near future.

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first year beginning after December 31, 1992.

On April 2, 1996, the Town of Westcliffe passed a referendum regarding the revenue and spending limits imposed by Article X, Section 20 of the Colorado Constitution. The referendum allows the Town, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1995 and thereafter. The voters approved this ballot measure by a large margin.

In addition to the limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies must establish an "emergency reserve". Each entity shall reserve 3% or more of its fiscal year spending excluding bond debt service. For the year ended December 31, 2018, the Town has set aside \$21,000 to establish that reserve.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements:

- **Basic Financial Statements.** This section includes government-wide financial statements, fund financial statements and notes to the financial statements. The government-wide financial statements present the financial position and activities of the Town as a whole using accounting methods similar to those used by private-sector companies. The fund financial statements present financial information on specific activities of the Town. Funds are classified as major and non-major funds. The General Fund is considered a major fund.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Conservation Trust Fund is a non-major fund and is reported separately from the General Fund. These funds are reported in aggregate in a separate column. The notes to the financial statements provide additional disclosures to the information presented in the financial statements.

- **Required Supplementary Information.** This section includes financial information that is not part of the basic financial statements but is required by accounting principles generally accepted in the United States of America (GAAP). It includes a budgetary comparison schedule for the General Fund.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. These statements include assets and liabilities of the Town. The financial effect of transactions and events are recognized when they occur (accrual basis of accounting), regardless of when cash is received or paid. There are two government-wide financial statements:

- **Statement of Net Position.** This statement presents information on all of the Town's assets and liabilities, with the difference of 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.
- **Statement of Activities.** This statement presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Government Activities.** Activities reported here include public safety, public works, and general administration. Property taxes, sales tax, federal, state and other local revenues finance these activities.
- **Business-Type Activities.** The Town has no business-type activities at this time.

Fund Financial Statements

The fund financial statements present financial information on specific activities of the Town. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. There are three types of funds: government, proprietary and fiduciary funds, however, at this time the town only has government funds.

- **Government Funds.** These statements cover the same activities that are reported in the governmental activities of the government-wide financial statements. The accounting basis and the measurement focus used in these statements, however, are not the same as the ones used in the government-wide financial statements. The governmental funds statements focus on current year accountability, as well as on the resources available at the end of the fiscal year.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The government activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis. Capital assets and long term liabilities are not included on the balance sheet of the government funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. Two schedules will be used to reconcile the government-wide financial statements to the governmental funds of the fund financial statements:

Reconciliation of Government-wide Financial Statements to Fund Financial Statements (Continued)

- Reconciliation of the balance sheet of the governmental funds to the statement of net position
- Reconciliation of the statement of revenues and expenditures and changes in fund balance to the statement of activities

FINANCIAL OVERVIEW

In condensed format, the following table shows the statement of net position at December 31, 2018 and 2017:

	Governmental Activities	
	12/31/2018	12/30/2017
ASSETS		
Current and Other Assets	\$ 910,495	\$ 943,048
Capital Assets	3,647,773	3,330,516
Total Assets	<u>4,558,268</u>	<u>4,273,564</u>
LIABILITIES		
Current Liabilities	23,500	20,666
Noncurrent Liabilities	113,928	19,473
Total Liabilities	<u>137,428</u>	<u>40,139</u>
DEFERRED INFLOWS	<u>56,460</u>	<u>56,555</u>
NET POSITION		
Net Investment in Capital Assets	3,536,467	3,313,209
Restricted	56,539	46,451
Unrestricted	771,374	817,210
Total Net Position	<u>\$ 4,364,380</u>	<u>\$ 4,176,870</u>

The following table shows the changes in net position for the year ended December 31, 2018 and 2017

	Governmental Activities	
	12/31/2018	12/31/2017
PROGRAM REVENUES		
Charges for Services	\$ 31,987	\$ 21,551
Operating Grants	79,806	71,582
Capital Grants	223,991	1,084,820
Total Program Revenues	<u>335,784</u>	<u>1,177,953</u>
GENERAL REVENUES		
Property Taxes	56,543	57,562
Specific Ownership Taxes	8,824	8,482
Sales Taxes	407,434	386,930
Franchise Taxes	25,318	25,809
Other Taxes	2,932	3,319
Interest Income	4,395	6,386
Other Revenues	5,004	1,433
Total General Revenues	<u>510,450</u>	<u>489,921</u>
Total Revenues	<u>846,234</u>	<u>1,667,874</u>
PROGRAM EXPENSES		
General Government	269,207	233,779
Public Safety	34,503	34,431
Public Works	295,524	314,944
Culture and Recreation	44,246	52,865
Interest	644	1,039
Total Program Expenses	<u>658,724</u>	<u>637,058</u>
CHANGE IN NET POSITION	<u>187,510</u>	<u>1,030,816</u>
Net Position, Beginning	3,146,054	3,146,054
Prior Period Restatement	1,030,816	-
Net Position, Beginning (as Restated)	<u>4,176,870</u>	<u>3,146,054</u>
NET POSITION, ENDING	<u>\$ 4,364,380</u>	<u>\$ 4,176,870</u>

GOVERNMENTAL ACTIVITIES

The General Fund is the chief operating fund of the Town. The General Fund generates about 60% of its revenues from sales tax. This revenue is used for general governmental purposes. Highway users tax (HUTF) provides about 7% of the general funds revenues and is used strictly on street and alley expenses. Property tax and building permit fees add an additional 13.0% to the Town's general fund revenues, and the remaining revenues are generated from other sources, such as interest and license fees.

Expenditures are divided into two categories: General Fund expenditures and capital improvements.

General Fund expenditures include general operational, administrative expenses of the Town, building and zoning department, animal control expenses, street and alley maintenance (including snow removal), park maintenance and utilities. Capital improvements include things such as purchase of equipment, infrastructure improvements such as paving, curb and gutter, sidewalks and other miscellaneous permanent improvements.

OTHER FUND ANALYSIS

Conservation Trust Fund (CTF) is separate from the General Fund revenues and expenditures. It has its own checking account and all funds remain separate.

The Conservation Trust Fund consists of revenues derived from State lottery proceeds and interest income. Westcliffe collects an average of \$5,900 per year in lottery revenues.

The CTF account will only be used for park maintenance and capital improvement projects in park.

CAPITAL ASSETS

At the end of 2018, the Town has \$3,647,773, net of depreciation, invested in a broad range of capital assets, including buildings, equipment, park property, and improvements.

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 456,586	\$ -	\$ 6,500	\$ 450,086
Construction in progress	-	117,652	-	117,652
Total capital assets not being depreciated	456,586	117,652	6,500	567,738
Capital assets being depreciated				
Land improvements	356,768	191,399	-	548,167
Buildings	236,177	100,000	-	336,177
Equipment and vehicles	287,848	-	-	287,848
Infrastructure	3,959,133	103,158	-	4,062,291
Total capital assets being depreciated	4,839,926	394,557	-	5,234,483
Total capital assets	5,296,512	512,209	6,500	5,802,221
Less: Accumulated depreciation				
Land improvements	(155,854)	(19,746)	-	(175,600)
Buildings	(132,965)	(7,495)	-	(140,460)
Equipment and vehicles	(215,038)	(9,771)	-	(224,809)
Infrastructure	(1,462,138)	(151,441)	-	(1,613,579)
Total accumulated depreciation	(1,965,995)	(188,453)	-	(2,154,448)
Net capital assets	\$ 3,330,517	\$ 323,756	\$ 6,500	\$ 3,647,773

2018 brought several capital improvements. A lease purchase for 1000 Main to relocate the Town offices along with beginning renovations, 2nd Street improvements replacing some curb, gutter and sidewalk and new pavement between Main and Rosita Ave., chip seal on Edwards Ave. from 6th Street to the east side of 2nd Street, repair to the sidewalk in front of the county court house and installation of ADA ramps, installation of ADA ramps on Highway 96. Additional parking was put in on the east side of Jess Price Memorial Park. The Town did a cost share with Custer County on Hermit Road to replace the culvert. There was extensive repairs to the pavilion at Hermit Park.

The lease purchase with First State Bank of Colorado for \$100,000.00. A DOLA grant was awarded in the amount of \$123,116 for a total project of \$146,116. The lease purchase price of \$100,000 was used as matching money for the grant. The Town rolled the additional renovation cost of \$23,116 into the lease purchase. A total of \$101,181 in renovations were completed (drainage issues, windows, framing, electric, heating & plumbing, communications and signage).

The 2nd Street improvements, repair to the sidewalk at the court house and all ADA ramps totaled \$277,979.

Chip Seal was done from 6th Street to the east side of 2nd Street on Edwards Ave. for \$21,646.

The additional parking on the east side of Jess Price Memorial Park cost \$13,904.

The cost share portion for the Town towards the culvert replacement on Hermit Road was \$5,000.

The cost of the Hermit Park pavilion restoration was \$4,500.

	Beginning			Ending	Current	Interest
	Balance	Advances	Payments	Balance	Portion	Paid
Governmental activities						
Obligation under capital lease	\$ 17,307	\$ -	\$ 17,307	\$ -	\$ -	\$ 49
2018 Building Lease Purchase	-	113,116	1,810	111,306	9,073	563
Compensated absences	2,166	456	-	2,622	-	-
Total governmental activities	\$ 19,473	\$ 113,572	\$ 19,117	\$ 113,928	\$ 9,073	\$ 612

NEXT YEAR'S BUDGET AND RATES

Under Colorado law, budgets for the Town must balance and be adopted by the Town Board by December 15th each year. Westcliffe adopted its 2019 budget on December 11, 2018. Supplements can be made to the budget; however, this must be done by ordinance or resolution approved by the Board of Trustees.

To satisfy a budget that cannot be balanced by using the estimated years revenues, the Town has designated portions of their unreserved fund equity for subsequent expenditures, which can be appropriated in future years. A smaller portion, 3% of fiscal year spending, is reserved for emergencies per TABOR.

Future/Anticipated Projects that may affect the Town Finances

Westcliffe is anticipating several projects that may affect the Town's finances. The Town applied for a GOCO grant to replace the two aging tennis courts for an estimated project cost of \$165,000.

The Town applied for a SRTS grant for joint project with the Town of Silver Cliff for \$288,800, our match for this is \$25,000. It includes putting in curb, gutter and sidewalk on a portion of Highway 69 in front of the school.

We plan to put recycled material on the north side of Jess Price Memorial Park on the south side of the alley for additional parking at an estimated cost of \$15,000.

\$20,000 was allocated again for security cameras for the Town's four parks.

Requests for Information

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 information should be addressed to:

Town Clerk
 1000 Main Street
 P.O. Box 406
 Westcliffe, CO 81252
 719-783-2282
townclerk@townofwestcliffe.com

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Trustees
Town of Westcliffe
Westcliffe, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westcliffe, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the basic financial statements of the Town, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 controls. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westcliffe, Colorado, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town of Westcliffe's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management's Discussion and Analysis

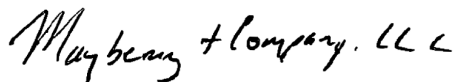
Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules shown on pages 21 - 22 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. The combining and budgetary comparison statements and schedules listed as other supplementary information pages 23 - 26 are presented for purposes of additional analysis and are not a required part of the financial statements. This 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. Such 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 basic 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Local Highway Finance Report page 27 -28 is presented for purposes of legal compliance and is 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Englewood, Colorado
March 4, 2019

BASIC FINANCIAL STATEMENTS

TOWN OF WESTCLIFFE, COLORADO

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS AND DEFERRED OUTFLOWS	
ASSETS	
Current Assets	
Cash and Investments	
Cash	\$ 748,842
Restricted Cash and Investments	28,539
Receivables	
Property Tax Receivable	56,460
Intergovernmental Receivables	61,755
Accounts Receivable	14,899
Total Current Assets	<u>910,495</u>
Noncurrent Assets	
Capital Assets not being Depreciated	567,738
Capital Assets being Depreciated	5,234,483
Accumulated Depreciation	<u>(2,154,448)</u>
Total Noncurrent Assets	<u>3,647,773</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,558,268</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 23,545
Accrued Liabilities	(80)
Deposits and Escrow	35
Total Current Liabilities	<u>23,500</u>
Noncurrent Liabilities	
Due within one year	9,073
Due in more than one year	<u>104,855</u>
Total Noncurrent Liabilities	<u>113,928</u>
TOTAL LIABILITIES	<u>137,428</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES	
Other Deferred Inflows	<u>56,460</u>
NET POSITION	
Net Investment in Capital Assets	3,536,467
Restricted Net Position	56,539
Unrestricted Net Position	771,374
TOTAL NET POSITION	<u>4,364,380</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 4,558,268</u>

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

TOWN OF WESTCLIFFE, COLORADO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>PROGRAM REVENUES</u>				NET (EXPENSE) REVENUE AND
	OPERATING				CHANGES IN
	EXPENSES	CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS	NET POSITION
FUNCTIONS/PROGRAMS					<u>GOVERNMENT ACTIVITIES</u>
Government Activities					
Current:					
General Government	\$ 269,207	\$ 8,523	\$ 11,794	\$ -	\$ (248,890)
Public Safety	34,503	350	-	106,851	72,698
Public Works	295,524	23,114	62,048	117,140	(93,222)
Culture and Recreation	44,246	-	5,964	-	(38,282)
Capital Outlay - Non Capitalized	14,600	-	-	-	(14,600)
Interest on Debt	644	-	-	-	(644)
	<u>658,724</u>	<u>31,987</u>	<u>79,806</u>	<u>223,991</u>	<u>(322,940)</u>
TOTAL GOVERNMENT	\$ 658,724	\$ 31,987	\$ 79,806	\$ 223,991	(322,940)
GENERAL REVENUES					
Property Taxes					56,543
Specific Ownership Taxes					8,824
Sales Taxes					407,434
Franchise Taxes					25,318
Other Taxes					2,932
Interest Income					4,395
Other Revenues					5,004
TOTAL GENERAL REVENUES					<u>510,450</u>
CHANGE IN NET POSITION					187,510
NET POSITION - Beginning					<u>4,176,870</u>
NET POSITION - Ending					<u>\$ 4,364,380</u>

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

TOWN OF WESTCLIFFE, COLORADO

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2018

With Comparative Totals for December 31, 2017

	<u>Capital Projects</u>			<u>Fund</u>	
	General	Capital	Other	Total	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS					
ASSETS					
Current Assets					
Cash and Investments					
Cash	\$ 242,728	\$ 506,114	\$ -	\$ 748,842	\$ 685,919
Restricted Cash and Investments	-	-	28,539	28,539	22,451
Receivables					
Property Tax Receivable	56,460	-	-	56,460	56,555
Intergovernmental Receivables	61,755	-	-	61,755	62,469
Accounts Receivable	14,899	-	-	14,899	115,654
Internal Balances	(91,540)	91,540	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 284,302</u>	<u>\$ 597,654</u>	<u>\$ 28,539</u>	<u>\$ 910,495</u>	<u>\$ 943,048</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	\$ 23,545	\$ -	\$ 23,545	\$ 18,383
Accrued Liabilities	(80)	-	-	(80)	1,933
Deposits and Escrow	35	-	-	35	350
TOTAL LIABILITIES	<u>(45)</u>	<u>23,545</u>	<u>-</u>	<u>23,500</u>	<u>20,666</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES					
Other Deferred Inflows	56,460	-	-	56,460	56,555
FUND BALANCE					
Restricted Fund Balance	28,000	-	28,539	56,539	46,451
Committed Fund Balance	-	574,109	-	574,109	621,212
Unassigned Fund Balance	199,887	-	-	199,887	198,164
TOTAL FUND BALANCE	<u>227,887</u>	<u>574,109</u>	<u>28,539</u>	<u>830,535</u>	<u>865,827</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 284,302</u>	<u>\$ 597,654</u>	<u>\$ 28,539</u>	<u>\$ 910,495</u>	<u>\$ 943,048</u>

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

TOWN OF WESTCLIFFE, COLORADO

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION
DECEMBER 31, 2018**

Fund Balance - Governmental Funds			\$ 830,535
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, not being depreciated	\$ 567,738		
Capital assets, being depreciated	5,234,483		
Accumulated depreciation	<u>(2,154,448)</u>	3,647,773	
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Capital leases payable	(111,306)		
Accrued compensated absences	<u>(2,622)</u>	<u>(113,928)</u>	
Total Net Position - Governmental Activities			<u>\$ 4,364,380</u>

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

TOWN OF WESTCLIFFE, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Capital Projects			Fund	
	General	Capital	Other	Total	
	Fund	Fund	Funds	2018	2017
REVENUES					
Taxes	\$ 501,052	\$ -	\$ -	\$ 501,052	\$ 482,102
Intergovernmental Revenues	67,466	213,991	5,964	287,421	1,141,357
Licenses and Permits	27,423	-	-	27,423	16,107
Fines and Forfeits	350	-	-	350	429
Charges for Services	4,214	-	-	4,214	5,014
Investment Earnings	882	3,389	124	4,395	6,387
Other Revenues	8,379	13,000	-	21,379	16,477
TOTAL REVENUES	609,766	230,380	6,088	846,234	1,667,873
EXPENDITURES					
Current:					
General Government	256,831	-	-	256,831	227,119
Public Safety	34,503	-	-	34,503	34,431
Public Works	143,136	-	-	143,136	154,209
Parks, Recreation and Other	21,303	-	-	21,303	28,569
Capital Outlay	-	519,108	-	519,108	1,729,256
Debt Service	-	19,761	-	19,761	17,682
TOTAL EXPENDITURES	455,773	538,869	-	994,642	2,191,266
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	153,993	(308,489)	6,088	(148,408)	(523,393)
OTHER FINANCING SOURCES (USES)					
Debt Proceeds	-	113,116	-	113,116	-
Transfers (In)	-	148,270	-	148,270	50,800
Transfers (Out)	(148,270)	-	-	(148,270)	(50,800)
TOTAL OTHER FINANCING SOURCES (USES)	(148,270)	261,386	-	113,116	-
NET CHANGE IN FUND BALANCE - GAAP BASIS	5,723	(47,103)	6,088	(35,292)	(523,393)
FUND BALANCE, BEGINNING	222,164	621,212	22,451	865,827	1,389,220
FUND BALANCE, ENDING	\$ 227,887	\$ 574,109	\$ 28,539	\$ 830,535	\$ 865,827

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

TOWN OF WESTCLIFFE, COLORADO

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION**
FOR THE YEAR ENDED DECEMBER 31, 2018

Change in Fund Balance - Governmental Funds		\$	(35,292)
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level			
Capitalized Asset Purchases	\$	505,710	
Depreciation Expense		<u>(188,453)</u>	317,257
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level			
Proceeds from debt issuances		(113,116)	
Principal payments on capital leases		19,117	
Change in accrued compensated absences		<u>(456)</u>	<u>(94,455)</u>
Change in Net Position - Governmental Activities		\$	<u>187,510</u>

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

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HISTORY AND FUNCTION OF ORGANIZATION

The Town of Westcliffe was incorporated under the laws of the State of Colorado and operates under an elected Mayor-Board form of government. As required by generally accepted accounting principles, these financial statements present the Town of Westcliffe (the primary government). No additional separate governmental units, agencies, or nonprofit corporations are included in the financial statements of the town.

REPORTING ENTITY

In accordance with Governmental Accounting Standards, the Town 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 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 upon the application of these criteria, no additional organizations were included within the Town's reporting entity.

GOVERNMENT-WIDE 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 activities of the Town. 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 Town presently does not have any business-type activities.

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

FUND ACCOUNTING

The accompanying financial statements include the Town's governmental fund types. The Town's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING (Continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on a computation of net income.

Governmental fund financial statements include a separate balance sheet and a statement of revenues, expenditures and changes in fund balances for the General Fund, the Conservation Trust Fund and the Capital Fund, which was established in 2017. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements. The Town presents the following governmental funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the town are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Conservation Trust Fund: This fund is established to account for lottery funds received from the state. These funds are to be expended only for the acquisition, development and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site. This fund is considered a special revenue fund and is a nonmajor fund.

Capital Fund: This fund was established in 2017 to account for amounts set aside by the Board of Trustees for capital acquisition and replacement. The Board has decided that any excess funds over 50% of General Fund expenditures (six month reserve) will be transferred to the Capital Fund. These amounts were preliminarily set-aside in the General Fund for the 2016 fiscal year when the capital policy was established. This also accounts for capital grants received by the Town, other than those reported in the Conservation Trust Fund. This fund is a capital projects fund and is considered a major fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the 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. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt which is recognized when due and (2) compensated absences which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, and grants. Other revenues are not susceptible to accrual as they generally are not measurable until received in cash.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets were adopted for all funds. Budgets are prepared on the same basis of accounting as that used for accounting purposes. In the budget versus actual statements, the actual results of operations are presented on the budgetary basis of accounting for proper comparison to the budget.

Budgets are adopted based on the requirements of state statutes. The following timetable is used:

- 1) Submission of the proposed budget to the Board of Trustees by October 15 of each year.
- 2) Certification of mill levies to the County Commissioners by December 15 of each year.
- 3) Final adoption of the budget and appropriations by December 15 of each year.

The Town does not use encumbrance accounting and all appropriations lapse at year end.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Equivalents

For the purposes of cash flow presentation, the Town considers all fully cash and fully liquid investment balances as cash and cash equivalents.

Property Taxes

Property taxes are levied on December 15 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 is 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.

Capital Assets

Capital assets are defined by the town as assets with an initial individual cost of more than \$5,000 and a useful life of more than three years except for infrastructure assets. For infrastructure assets the same estimated minimum useful life is used (3 years), but only those infrastructures projects that cost more than \$25,000 are considered for capitalization. Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Infrastructure is reported in this financial statement and is being depreciated. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

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

Buildings and improvements	20 – 50 years
Infrastructure	10 – 30 years
Equipment and vehicles	5 – 20 years

Land and related improvements are not depreciated and assets under construction are not depreciated until they become available for service.

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

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

Accumulated Unpaid Leave (Compensated Absences)

Employees of the town are entitled to vacation and sick leave benefits based on length of service. Vacation leave is earned on a yearly basis. The amount of vacation varies between five and fifteen days per year depending upon the number of years of continuous service provided by the employee. Vacation must be taken within twelve months after it is earned. Any unused vacation time will be forfeited. In unusual circumstances the Board of Trustees may authorize the payment of unused vacation time.

The town's sick leave policy provides eligible employees will accrue sick leave benefits at the rate of 12 days per year. Upon termination, employees will be paid at a rate of 20% of accumulated sick pay hours at the discretion of the Board of Trustees. The maximum accumulation is 320 hours. At December 31, 2018, the Town had recorded 549 hours of accumulated sick leave of which 132 hours, \$2,622 was vested to the employees. Because it is not expected that a significant portion of sick leave will be used in any year, accumulated sick leave has not been recorded as a fund liability. The \$2,622 of vested sick leave is included in liabilities in the statement of net position.

Deferred Inflows of Financial Resources

In addition to liabilities, the statement of net position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balances

In the government-wide financial statements net position is either shown as invested in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. The Town does not currently have any nonspendable fund balances.

Fund balance is reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the most formal action, adoption of an ordinance, of the government's highest level of decision-making authority, the Board of Trustees, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Town does not currently have any assigned fund balances.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

NET POSITION/FUND BALANCE FLOW ASSUMPTIONS

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPARATIVE DATA

Comparative total data for the prior year has been presented in most of the accompanying financial statements in order to provide an understanding of changes in the Town’s financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in certain statements since their inclusion would make those statements unduly complex and difficult to read.

NOTE 2: CASH AND INVESTMENTS

The Town’s cash and investment balances are allocated as follows as of December 31, 2018:

Cash	<u>\$ 777,381</u>
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This balance is presented in the financial statements as shown below:

Cash and Investments	\$ 748,842
Restricted Cash and Investments	<u>28,539</u>
Total Cash and Investments	<u>\$ 777,381</u>

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The Town’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed 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 institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2018, all of the Town’s deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Secured (Not in Entity's Name)	561,322	527,281
Petty Cash	-	100
Total Cash	<u>\$ 811,322</u>	<u>\$ 777,381</u>

Investments

Credit Risk - Investments

Colorado statutes specify which instruments units of local government may invest, which include:

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

The Town’s investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

The Town did not hold any investments other than certificates of deposits included in the bank balances shown above at December 31, 2018.

Concentration of Credit Risk - Investments

The Town places no limit on the amount that may be invested in any one issuer.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk - Investments

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. 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, other than those contained in state statutes. The anticipated maturity of any investment is not expected to exceed five years regardless of stated maturity.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2018, the Town did not have any investments requiring safekeeping.

NOTE 3: CAPITAL ASSETS

A summary of the Town’s governmental activity capital assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 456,586	\$ -	\$ 6,500	\$ 450,086
Construction in progress	-	117,652	-	117,652
Total capital assets not being depreciated	<u>456,586</u>	<u>117,652</u>	<u>6,500</u>	<u>567,738</u>
Capital assets being depreciated				
Land improvements	356,768	191,399	-	548,167
Buildings	236,177	100,000	-	336,177
Equipment and vehicles	287,848	-	-	287,848
Infrastructure	3,959,133	103,158	-	4,062,291
Total capital assets being depreciated	<u>4,839,926</u>	<u>394,557</u>	<u>-</u>	<u>5,234,483</u>
Total capital assets	<u>5,296,512</u>	<u>512,209</u>	<u>6,500</u>	<u>5,802,221</u>
Less: Accumulated depreciation				
Land improvements	(155,854)	(19,746)	-	(175,600)
Buildings	(132,965)	(7,495)	-	(140,460)
Equipment and vehicles	(215,038)	(9,771)	-	(224,809)
Infrastructure	(1,462,138)	(151,441)	-	(1,613,579)
Total accumulated depreciation	<u>(1,965,995)</u>	<u>(188,453)</u>	<u>-</u>	<u>(2,154,448)</u>
Net capital assets	<u>\$ 3,330,517</u>	<u>\$ 323,756</u>	<u>\$ 6,500</u>	<u>\$ 3,647,773</u>

Depreciation is charged to the governmental activities as follows:

General government	\$ 11,920
Public works	153,590
Parks and recreation	22,943
Total depreciation expense	<u>\$ 188,453</u>

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4: NONCURRENT LIABILITIES

The following is a schedule of long-term liabilities and changes in liabilities for the year.

	<u>Beginning</u>			<u>Ending</u>		
	<u>Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u>	<u>Current Portion</u>	<u>Interest Paid</u>
Governmental activities						
Obligation under capital lease	\$ 17,307	\$ -	\$ 17,307	\$ -	\$ -	\$ 49
2018 Building Lease Purchase	-	113,116	1,810	111,306	9,073	563
Compensated absences	2,166	456	-	2,622	-	-
Total governmental activities	\$ 19,473	\$ 113,572	\$ 19,117	\$ 113,928	\$ 9,073	\$ 612

The Town entered into a capital lease obligation during 2016 for the purchase of a snow plow. The lease requires monthly payments of \$1,474 through December 2018 and bears interest at 3.95%. Assets with a remaining basis of \$26,877 were capitalized as part of this lease. The Town repaid this lease via lump sum in January 2018.

In 2018 the town entered into a capital lease purchase obligation for the purchase of the property at 1000 Main Street, Westcliffe and further renovations to be made to the building. The lease requires monthly payments of \$1,186 through November 2028 and bears interest at 4.75%. Assets with a remaining basis of \$216,652 were capitalized as part of this lease.

The remaining minimum payments for this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 14,235
2020	14,235
2021	14,235
2022	14,235
2023	14,235
2024-2028	68,803
Total minimum lease payments	139,978
Less interest portion (4.75%)	(28,672)
Present value of minimum payments	\$ 111,306

NOTE 5: DEFINED CONTRIBUTION PENSION PLAN

The Town provides a defined contribution plan for all employees through the Colorado County Officials and Employees Retirement Association. Participation in the plan is mandatory for covered employees. The fund is named Colorado County Officials and Employees Retirement Association.

Employees vest in the Town's contribution at 20% per year. All employees who have contributed to the plan are entitled to the benefits after completion of one year of service and upon termination. The employee contributes 3% of earnings and employer contributes 3% of earnings. The Town is not liable for amounts over the 3%. All contributions are current. During 2018, the Town contributed \$3,978 and the employees contributed \$3,978. The town's total payroll was \$179,322 of which \$132,603 or 74% was covered under the plan.

Under the plan employees may also contribute to a deferred compensation plan (457 plan). During 2018 there were no contributions to this plan.

TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6: COMMITMENTS AND CONTINGENCIES

The Town receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of the Town, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Town at December 31, 2018.

NOTE 7: RESTRICTED FUND BALANCE / NET POSITION

Tax Spending and Debt Limitations

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado, all local governments, and special districts. The Town's financial activity for the year ended December 31, 2018 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth.

Subsequent to December 31, 1992, revenue in excess of the Town's "spending limit" must be refunded unless voters approve the retaining of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

On April 2, 1996 the Town of Westcliffe passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the town, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1995 and thereafter.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The Town's management believes it is in compliance with the TABOR amendment.

The Article requires an emergency reserve be set aside for 2018 in the amount of 3 percent or more of its fiscal year spending. At December 31, 2018, the Town has reserved the following for emergencies:

General Fund	<u>\$ 28,000</u>
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Other Restrictions

The Town has restricted net position at December 31, 2018 in the Conservation Trust Fund related to unspent Conservation Trust Fund revenues.

Fund Equity Commitments

The Town has committed the following amounts for future capital needs.

Capital Fund	<u>\$425,839</u>
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TOWN OF WESTCLIFFE, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: RISK MANAGEMENT

The Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons and property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have ability to significantly affect the operations of the unit.

The Town has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the Town has not recorded any liability for unpaid claims at December 31, 2018.

NOTE 9: INTERFUND TRANSACTIONS

The Town has recorded a routine transfer of \$148,270 from the General Fund to the Capital Fund for the fiscal year ended December 31, 2018. The amount of the transfer was calculated to be retain a six-month operating reserve for the General Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WESTCLIFFE, COLORADO

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Totals for the Year Ended December 31, 2017

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Taxes					
Property Taxes	\$ 56,555	\$ 56,555	\$ 56,543	\$ (12)	\$ 57,562
Specific Ownership Taxes	6,000	6,000	8,824	2,824	8,482
Sales Taxes	360,000	360,000	407,435	47,435	386,931
Franchise Taxes	27,000	27,000	25,318	(1,682)	25,809
Other Taxes	2,800	2,800	2,932	132	3,318
Total Tax Revenue	<u>452,355</u>	<u>452,355</u>	<u>501,052</u>	<u>48,697</u>	<u>482,102</u>
Intergovernmental Revenues					
Cigarette Taxes	1,800	1,800	1,986	186	2,191
Highway Users	28,190	28,190	36,410	8,220	29,965
Road and Bridge	26,181	26,181	25,638	(543)	26,162
Federal Grants	400	400	491	91	389
State Grants	25,300	25,300	2,941	(22,359)	2,182
Other Intergovernmental	-	-	-	-	4,357
Total Intergovernmental Revenue	<u>81,871</u>	<u>81,871</u>	<u>67,466</u>	<u>(14,405)</u>	<u>65,246</u>
Licenses and Permits					
Liquor Licenses	2,000	2,000	2,324	324	2,255
Building Permits	10,200	10,200	21,914	11,714	11,472
Annexation/Other P&Z Fees	600	600	1,200	600	300
Business Licenses	1,875	1,875	1,985	110	2,080
Total Licenses and Permits	<u>14,675</u>	<u>14,675</u>	<u>27,423</u>	<u>12,748</u>	<u>16,107</u>
Fines and Forfeits					
	500	500	350	(150)	429
Charges for Services					
Rents	19,875	19,875	2,150	(17,725)	2,500
Other Charges for Services	3,270	3,270	2,064	(1,206)	2,514
Total Charges for Services	<u>23,145</u>	<u>23,145</u>	<u>4,214</u>	<u>(18,931)</u>	<u>5,014</u>
Investment Earnings					
	3,500	3,500	882	(2,618)	6,292
Other Revenues					
Donations	50	50	3,377	3,327	10,072
Other Miscellaneous Revenue	800	800	5,002	4,202	1,430
Total Other Revenue	<u>850</u>	<u>850</u>	<u>8,379</u>	<u>7,529</u>	<u>11,502</u>
TOTAL REVENUES	<u>576,896</u>	<u>576,896</u>	<u>609,766</u>	<u>32,870</u>	<u>586,692</u>

See accompanying Independent Auditors' Report.

(Continued)

TOWN OF WESTCLIFFE, COLORADO

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Totals for the Year Ended December 31, 2017

	2018			Variance With Final Budget	2017 Actual
	Original Budget	Final Budget	Actual		
(Continued)					
EXPENDITURES					
General Government					
Personnel Services	131,690	131,690	129,631	(2,059)	114,524
Contract labor	41,000	41,000	40,294	(706)	38,186
Equipment Rentals	1,320	1,320	1,320	-	1,210
Insurance	13,075	13,075	12,459	616	13,697
Professional Fees	26,450	26,450	26,766	(316)	22,150
Repairs and Maintenance	2,800	2,800	2,103	697	825
Supplies	2,400	2,400	2,751	(351)	1,890
Telephone and Utilities	5,374	5,374	5,851	(477)	3,294
Travel and Training	1,000	1,000	968	32	309
Other Expenses	83,839	83,839	34,688	49,151	31,034
Total General Government	<u>308,948</u>	<u>308,948</u>	<u>256,831</u>	<u>46,587</u>	<u>227,119</u>
Public Safety					
Police	33,000	33,000	33,000	-	33,000
Animal Control	303	303	303	-	231
Municipal Court	1,225	1,225	1,200	(25)	1,200
Total Public Safety	<u>34,528</u>	<u>34,528</u>	<u>34,503</u>	<u>(25)</u>	<u>34,431</u>
Public Works					
Personnel Services	70,000	70,000	61,814	8,186	88,677
Contract Labor	1,000	1,000	-	1,000	-
Repairs and Maintenance	55,300	55,300	65,020	(9,720)	51,594
Telephone and Utilities	21,400	21,400	16,162	5,238	13,460
Travel and Training	500	500	140	360	478
Total Public Works/Comm Devel	<u>148,200</u>	<u>148,200</u>	<u>143,136</u>	<u>5,064</u>	<u>154,209</u>
Parks, Recreation and Other					
Repairs and Maintenance	11,000	11,000	6,426	4,574	11,999
Telephone and Utilities	25,000	25,000	14,877	10,123	16,570
Total Parks, Recreation & Other	<u>36,000</u>	<u>36,000</u>	<u>21,303</u>	<u>14,697</u>	<u>28,569</u>
TOTAL EXPENDITURES	<u>527,676</u>	<u>527,676</u>	<u>455,773</u>	<u>66,323</u>	<u>444,328</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	49,220	49,220	153,993	99,193	142,364
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	50,800
Transfers (Out)	(29,792)	(29,792)	(148,270)	118,478	-
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ 19,428</u>	<u>\$ 19,428</u>	5,723	<u>\$ 217,671</u>	193,164
FUND BALANCE, BEGINNING			222,164		29,000
FUND BALANCE, ENDING			<u>\$ 227,887</u>		<u>\$ 222,164</u>

See accompanying Independent Auditors' Report.

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF WESTCLIFFE, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Totals for the Year Ended December 31, 2017

	SPECIAL REVENUE FUNDS		
	Conservation Trust Fund	Total	
		2018	2017
REVENUES			
Intergovernmental Revenues	\$ 5,964	\$ 5,964	\$ 5,718
Investment Earnings	124	124	95
TOTAL REVENUES	<u>6,088</u>	<u>6,088</u>	<u>5,813</u>
FUND BALANCE, BEGINNING	<u>22,451</u>	<u>22,451</u>	<u>16,638</u>
FUND BALANCE, ENDING	<u>\$ 28,539</u>	<u>\$ 28,539</u>	<u>\$ 22,451</u>

See accompanying Independent Auditors' Report.

TOWN OF WESTCLIFFE, COLORADO

BUDGETARY COMPARISON SCHEDULE

Conservation Trust Fund

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Totals for the Year Ended December 31, 2017

	2018		2017	
	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES				
Intergovernmental Revenues				
Cons Trust Fund Revenue	\$ 5,964	\$ 5,964	\$ -	\$ 5,718
Investment Earnings				
	75	124	49	95
TOTAL REVENUES	<u>6,039</u>	<u>6,088</u>	<u>49</u>	<u>5,813</u>
EXPENDITURES				
Parks, Recreation and Other Capital Outlay				
Parks, Recreation and Other Capital Outlay	<u>21,000</u>	-	<u>21,000</u>	-
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (14,961)</u>	6,088	<u>\$ 21,049</u>	5,813
FUND BALANCE, BEGINNING		<u>22,451</u>		<u>16,638</u>
FUND BALANCE, ENDING		<u>\$ 28,539</u>		<u>\$ 22,451</u>

See accompanying Independent Auditors' Report.

TOWN OF WESTCLIFFE, COLORADO

BUDGETARY COMPARISON SCHEDULE

Capital Fund

FOR THE YEAR ENDED DECEMBER 31, 2018

With Comparative Totals for the Year Ended December 31, 2017

	2018		Variance With Final Budget	2017
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental Revenues				
Federal Grants	\$ 25,000	\$ 24,932	\$ (68)	\$ 860,393
State Grants	234,116	189,059	(45,057)	210,000
Total Intergovernmental Revenue	<u>259,116</u>	<u>213,991</u>	<u>(45,125)</u>	<u>1,070,393</u>
Investment Earnings	-	3,389	3,389	-
Other Revenues				
Donations	<u>18,000</u>	<u>13,000</u>	<u>(5,000)</u>	<u>4,975</u>
TOTAL REVENUES	<u>277,116</u>	<u>230,380</u>	<u>(46,736)</u>	<u>1,075,368</u>
EXPENDITURES				
Capital Outlay				
General Government Capital Outlay	563,832	502,705	61,127	12,475
Public Works Capital Outlay	<u>25,000</u>	<u>16,403</u>	<u>8,597</u>	<u>1,716,781</u>
Total Capital Outlay	588,832	519,108	69,724	1,729,256
Debt Service				
Principal and Interest	<u>29,283</u>	<u>19,761</u>	<u>9,522</u>	<u>17,682</u>
TOTAL EXPENDITURES	<u>618,115</u>	<u>538,869</u>	<u>79,246</u>	<u>1,746,938</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(340,999)</u>	<u>(308,489)</u>	<u>32,510</u>	<u>(671,570)</u>
OTHER FINANCING SOURCES (USES)				
Debt Proceeds	154,901	113,116	(41,785)	-
Transfers In	29,792	148,270	118,478	-
Transfers (Out)	-	-	-	(50,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>184,693</u>	<u>261,386</u>	<u>76,693</u>	<u>(50,800)</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (156,306)</u>	<u>(47,103)</u>	<u>\$ 109,203</u>	<u>(722,370)</u>
Budget to GAAP Basis Reconciliation				
NET CHANGE IN FUND BALANCE - GAAP BASIS		(47,103)		(722,370)
FUND BALANCE, BEGINNING		<u>621,212</u>		<u>1,343,582</u>
FUND BALANCE, ENDING		<u>\$ 574,109</u>		<u>\$ 621,212</u>

See accompanying Independent Auditors' Report.

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STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County:	Town of Westcliffe
	YEAR ENDING :	December-18

This Information From The Records Of (example - City of _ or County of Town of Westcliffe)	Prepared By: Kathy Reis Phone: 719-783-2282
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	214,016
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	34,225
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	10465
2. General fund appropriations	6236	b. Snow and ice removal	9002
3. Other local imposts (from page 2)	34,274	c. Other	9421
4. Miscellaneous local receipts (from page 2)	350	d. Total (a. through c.)	28887
5. Transfers from toll facilities	0	4. General administration & miscellaneous	9716
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	33000
a. Bonds - Original Issues	0	6. Total (1 through 5)	319844
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	40860	b. Redemption	0
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	178482	2. Notes:	
D. Receipts from Federal Government (from page 2)	100,502	a. Interest	0
E. Total receipts (A.7 + B + C + D)	319844	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	319844

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	Total Disbursemen	D. Ending Balance	E. Reconciliation
	0	319844	319844	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December-18

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	350
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	34,274	g. Other Misc. Receipts	0
6. Total (1. through 5.)	34,274	h. Other	0
c. Total (a. + b.)	34,274	i. Total (a. through h.)	350
	(Carry forward)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	36410	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	0	d. Federal Transit Admin	0
d. Other (Specify) EIAF & CDOT	142072	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	100,502
f. Total (a. through e.)	142072	g. Total (a. through f.)	100,502
4. Total (1. + 2. + 3.f)	178482	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	0	0	0
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	214,016	214,016
(3). System Preservation	0	0	0
(4). System Enhancement & Operation	0	0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	214,016	214,016
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	214,016	214,016
			(Carry forward to page 1)

Notes and Comments: