

City of Victor
Teller County, Colorado

**Financial Statements and
Independent Auditor's Report**

December 31, 2018

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Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Victor
Victor, Colorado

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 City of Victor, Colorado, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the City of Victor'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 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 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.



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Victor, 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 accordance with accounting principles generally accepted in the United States of America.

Other-Matters

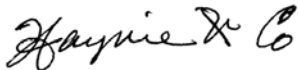
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Victor's financial statements as a whole. The state compliance section is presented for purposes of additional analysis and is not a required part of the financial statements.

The state compliance schedule, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
July 8, 2019

**City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

This section of the annual financial report offers readers of the City of Victor's (City) financial statements an analysis of the City's financial performance during the year ended December 31, 2018. We encourage readers to consider the information here in conjunction with additional information furnished in the City's financial statements which immediately follow this section.

Financial Highlights

- Assets exceeded liabilities by \$15.2 million at the close of 2018. Of the City's total assets, 83% consisted of capital assets and 16% consisted of cash and investments. Of the City's total liabilities, 73% consisted of accounts payable to vendors.
- Total net position increased by \$1.8 million, or 13%, from 2017. The increase in net position is primarily due to the additions to capital assets and decrease in noncurrent liabilities. Of the City's total net position at the close of 2018, (i) \$12.8 million, or 84%, represents the City's investment in capital assets net of debts that are attributable to the acquisition, construction or improvements of those assets, (ii) \$41 thousand, or .3%, represents restricted funds related to conservation trust and emergencies, and (iii) \$2.4 million, or 16%, represents unrestricted net position.
- At the close of 2018, the City's governmental funds reported combined ending fund balances of \$1.7 million. Of this amount: (i) \$41 thousand was restricted for emergencies (TABOR) and parks and recreation expenditures (conservation trust), (ii) \$1.4 million was committed for capital projects, (iii) \$31 thousand was assigned for Main Street projects and the Fire Department's discretionary expenditures, and (iv) \$308 thousand was unassigned and available for general government expenditures.
- At the close of 2018, the Utility Enterprise Fund had net investment in capital assets totaling \$5.5 million and unrestricted net position totaling \$675 thousand.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information and schedules in addition to the basic financial statements.

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and the difference is 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 City is improving or deteriorating.

The statement of activities presents information showing how the City'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.

City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of net position and the statement of activities report City activities in two categories – governmental activities and business-type activities. Both of the government-wide financial statements identify functions of the City that are principally to be supported by intergovernmental revenues (governmental activities). The governmental activities of the City include most of the basic services such as general government, public safety, public works, community development and parks and recreation. The basic government-wide financial statements can be found on pages 1 – 2 of this report.

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *funds* of the City include both governmental funds and a proprietary fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund. These two funds are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund and Capital Projects Fund. A budgetary comparison schedule has been provided for each of these funds to demonstrate compliance with the State's Budget Law. The basic governmental fund financial statements can be found on pages 4 – 5 of this report.

Proprietary fund. The City maintains one proprietary fund. A proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund, called the Utility Enterprise Fund, to account for its water and waste water operations. The basic proprietary fund financial statements can be found on pages 11 – 13 of this report.

**City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

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, as well as the proprietary fund financial statements. The notes to the financial statements can be found on pages 14 – 25 of this report.

Required Supplementary Information

Budgetary comparison schedules have been provided in this section for the Capital Projects Fund and the Proprietary Fund to demonstrate compliance with the State's Budget Law. The budget schedules are found after the notes to the financial statements on pages 26 – 28 of this report.

Other Supplementary Information

This section includes a State compliance report on pages 29 and 30.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position increased from December 31, 2017 by \$1.8 million, a 13% increase.

**City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

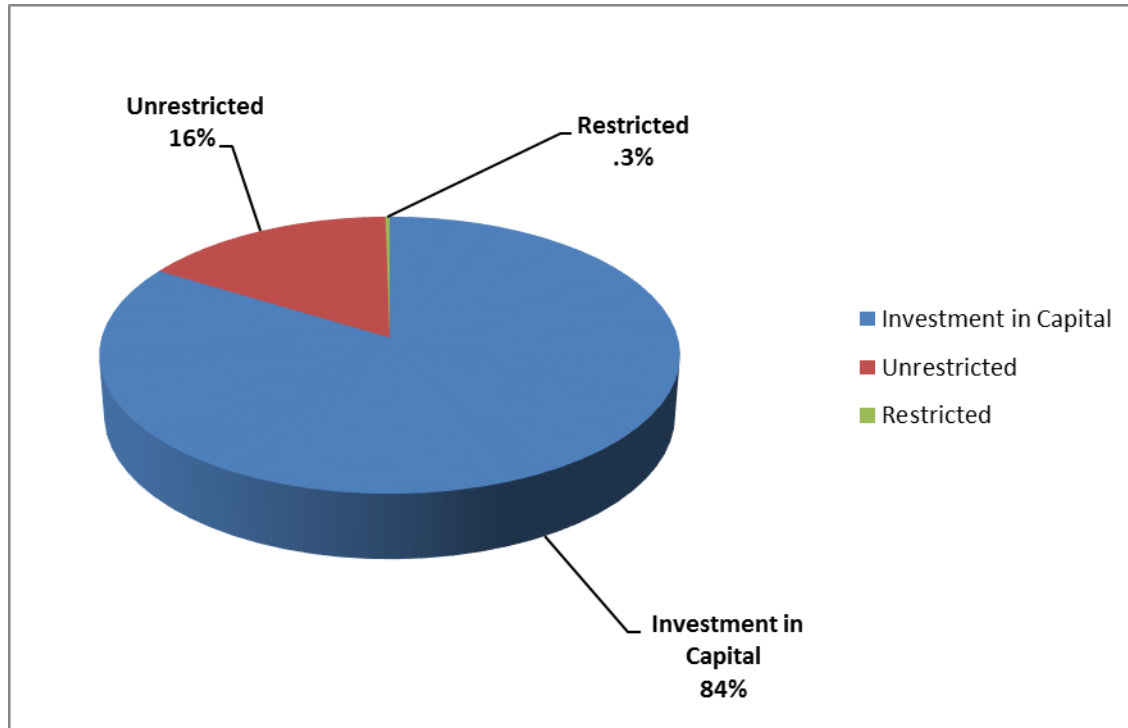
Net Position - Governmental Activities

	2018	2017
Current assets	\$ 1,956,383	\$ 2,181,695
Capital assets	<u>7,357,097</u>	<u>6,086,383</u>
Total assets	<u>9,313,480</u>	<u>8,268,078</u>
Noncurrent liabilities	<u>152,043</u>	<u>238,647</u>
Total liabilities	<u>152,043</u>	<u>238,647</u>
Property tax revenues	<u>63,005</u>	<u>59,594</u>
Total deferred inflows of resources	<u>63,005</u>	<u>59,594</u>
Net investment in capital assets	7,293,214	6,086,386
Restricted net position	40,784	40,961
Unrestricted net position	<u>1,764,434</u>	<u>1,842,683</u>
Total net position	<u><u>\$ 9,098,432</u></u>	<u><u>\$ 7,970,030</u></u>

Net Position - Business-Type Activities

	2018	2017
Current assets	\$ 731,619	\$ 508,373
Capital assets	<u>5,457,856</u>	<u>5,000,416</u>
Total assets	<u>6,189,475</u>	<u>5,508,789</u>
Current liabilities	37,296	27,472
Noncurrent liabilities	<u>19,454</u>	<u>14,274</u>
Total liabilities	<u>56,750</u>	<u>41,746</u>
Net investment in capital assets	5,457,846	5,000,416
Restricted net position	-	-
Unrestricted net position	<u>674,869</u>	<u>466,627</u>
Total net position	<u><u>\$ 6,132,715</u></u>	<u><u>\$ 5,467,043</u></u>

**City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018**



The largest portion of the City's net position (84%) reflects its net investment in capital assets. The City utilizes these capital assets to provide services to citizens. These assets are not available for future spending.

Approximately .3% of the City's net position represents resources that are subject to restrictions on how they can be used (e.g., emergency reserve) and are not currently available for the City's ongoing obligations.

Approximately 16% of the City's net position is unrestricted and may be used to meet the City's future expenditures.

At the end of 2018, the City is able to report positive balances in all three categories of net position.

City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Change in Net Position - Governmental Activities

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues:		
Charges for services	\$ 14,573	\$ 18,544
Operating grants and contributions	363,332	380,649
Capital grants and contributions	1,171,081	393,317
General revenues		
Taxes	116,980	118,086
Franchise fees	19,878	21,047
Net investment income	31,476	17,040
Other revenues and transfers in	1,427,745	1,185,511
Total revenues	<u>3,145,065</u>	<u>2,134,194</u>
Expenses		
General government	449,257	184,790
Public safety	374,038	390,380
Public works	222,573	252,794
Community development	131,633	395,202
Parks and recreation	50,681	52,110
Transfer of capital assets	788,481	226,559
Total expenses	<u>2,016,663</u>	<u>1,501,835</u>
Change in Net Position	<u><u>\$ 1,128,402</u></u>	<u><u>\$ 632,359</u></u>

Change in Net Position - Business-Type Activities

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,240,124	\$ 2,125,720
Capital grants and contributions	34,610	34,551
General revenues		
Other revenues/(expenses)	2,655	1,707
Transfer of capital assets	788,481	226,559
Total revenues	<u>3,065,870</u>	<u>2,388,537</u>
Expenses		
Water and wastewater operations	1,050,188	995,191
Long-term debt interest and related costs	-	11,799
Transfers out and other expenses	1,350,000	1,104,500
Total expenses	<u>2,400,188</u>	<u>2,111,490</u>
Change in Net Position	<u><u>\$ 665,682</u></u>	<u><u>\$ 277,047</u></u>

**City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

All capital grants and contributions received by the City were recorded in the Capital Projects Fund. Since the Capital Projects Fund, a governmental fund, is used to account for all capital projects, transfers are recorded between the Capital Projects Fund and other funds, which are included as part of the *Transfers out and other expenses* above. The capital assets acquired within the governmental fund were then transferred to the proprietary fund which is reflected above as *Transfer of capital assets*.

Financial Analysis of City's Funds

General Fund

The General Fund was established and is continually funded to provide for the daily activities of the City. The primary funding sources for the General Fund are property and sales taxes, intergovernmental revenues and grants. The primary projects or program efforts for 2018 were public safety, public works and general government.

General Fund Budgetary Highlights

The City's budget is prepared in accordance with the Colorado Budget Law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The actual total expenditure for the year was \$127,949 less than the budget.

Section 20 of the Colorado Constitution (TABOR) requires the City to maintain an emergency reserve equivalent to at least 3% of fiscal year spending. At December 31, 2018, the City's emergency reserve amounted to \$28 thousand.

Capital Assets

The City added \$2.3 million to its capital assets for governmental activities and business-type activities during calendar year 2018. This investment in capital assets during 2018 primarily consisted of drainage improvements, recreation improvements, infrastructure, and other projects.

Additional information on the City's capital assets can be found in Note 5 on pages 22 and 23 of this report.

Long-Term Debt

At the end of 2018 the City held no debt.

**City of Victor
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Next Year's Budgets

The 2019 budget reflects the Council's endeavor for a fiscally responsible budget built on conservative revenue projections, necessary and discretionary expenditure levels, and required and reasonable reserves.

The City has appropriated \$3.88 million for spending in 2019. Of this amount, \$987 thousand is budgeted for spending in the General Fund, \$1.8 million is budgeted in the Utility Enterprise Fund for the operations of water and wastewater systems, and \$1.1 million is budgeted in the Capital Projects Fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Victor's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk and Treasurer at: City of Victor, PO Box 86, 500 Victor Avenue, Victor, CO 80860.

Basic Financial Statements

City of Victor

Statement of Net Position

December 31, 2018

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 1,821,756	\$ 535,301	\$ 2,357,057
Cash and investments - Restricted	59,213	-	59,213
Receivables:			
From other governments	-	3,925	3,925
Property taxes	63,005	-	63,005
Utility fees	-	192,393	192,393
Other	12,409	-	12,409
Capital assets, not being depreciated	202,349	151,120	353,469
Capital assets, net of accumulated depreciation	7,154,748	5,306,733	12,461,481
TOTAL ASSETS	9,313,480	6,189,472	15,502,952
LIABILITIES			
Accounts payable	51,257	37,296	88,553
Retainage payable	63,883	-	63,883
Deposits	30,653	-	30,653
Compensated absences	6,250	19,454	25,704
TOTAL LIABILITIES	152,043	56,750	208,793
DEFERRED INFLOWS OF RESOURCES			
Property taxes revenue	63,005	-	63,005
TOTAL DEFERRED INFLOW OF RESOURCES	63,005	-	63,005
NET POSITION			
Net investment in capital assets	7,293,214	5,457,853	12,751,067
Restricted for:			
Emergencies	28,000	-	28,000
Conservation Trust	12,784	-	12,784
Unrestricted	1,764,434	674,869	2,439,303
TOTAL NET POSITION	\$ 9,098,432	\$ 6,132,722	\$ 15,231,154

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

City of Victor
Statement of Activities
For the Year Ended December 31, 2018

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental activities:							
General Government	\$ 449,257	\$ 14,223	\$ 363,332	\$ -	\$ (71,702)	\$ -	\$ (71,702)
Public Safety	374,038	350	-	-	(373,688)	-	(373,688)
Public Works	222,573	-	-	1,171,081	948,508	-	948,508
Community Development	131,633	-	-	-	(131,633)	-	(131,633)
Parks and Recreation	50,681	-	-	-	(50,681)	-	(50,681)
Total Governmental Activities	1,228,182	14,573	363,332	1,171,081	320,804	-	320,804
Business-Type Activities:							
Water and Wastewater Operations	1,050,187	2,240,124	-	34,610	-	1,224,547	1,224,547
Total Business-Type Activities	1,050,187	2,240,124	-	34,610	-	1,224,547	1,224,547
Total Primary Government	\$ 2,278,369	\$ 2,254,697	\$ 363,332	\$ 1,205,691	\$ 320,804	\$ 1,224,547	\$ 1,545,351
General Revenues:							
Taxes				116,980	-	116,980	
Franchise Fees				19,878	-	19,878	
Net Investment Income				31,476	-	31,476	
Other Revenues (Expenses)				77,745	2,651	80,396	
Transfers				1,350,000	(1,350,000)	-	
Transfer of Capital Assets				(788,481)	788,481	-	
Total General Revenues				807,598	(558,868)	248,730	
Change in Net Position				1,128,402	665,679	1,794,081	
Net Position Beginning				7,970,030	5,467,043	13,437,073	
Net Position Ending				\$ 9,098,432	\$ 6,132,722	\$ 15,231,154	

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

City of Victor
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 383,083	\$ 1,438,673	\$ 1,821,756
Cash and investments - restricted	59,213	-	59,213
Receivables:			
Property taxes	63,005	-	63,005
Other	12,409	-	12,409
Total Assets	\$ 517,710	\$ 1,438,673	\$ 1,956,383
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	44,571	6,686	51,257
Deposits	30,653	-	30,653
Retainage Payable	-	63,883	63,883
Total Liabilities	75,224	70,569	145,793
DEFERED INFLOWS OF RESOURCES			
Property taxes revenues	63,005	-	63,005
Total Deferred Inflows of Resources	63,005	-	63,005
FUND BALANCES			
Restricted:			
Emergencies	\$ 28,000	\$ -	\$ 28,000
Conservation Trust Funds	12,784	-	12,784
Committed:			
Capital projects	-	1,368,104	1,368,104
Assigned:			
Public safety - Fire Department Discretionary Fund	20,049	-	20,049
DREAM Discretionary Fund	10,604	-	10,604
Unassigned:			
General government	308,044	-	308,044
Total Fund Balances	379,481	1,368,104	1,747,585
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 517,710	\$ 1,438,673	\$ 1,956,383

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

City of Victor
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Activities
December 31, 2018

Total Fund Balances - Governmental Funds	\$ 1,747,585
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The following amounts reported for governmental activities are not current

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

Capital assets, not being depreciated	202,349
Capital assets, net of accumulated depreciation	7,154,748

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	<u>(6,250)</u>
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Net Position of Governmental Activities	<u>\$ 9,098,432</u>
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City of Victor
Governmental Funds
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 116,980	\$ -	\$ 116,980
Franchise fees	19,878	-	19,878
Intergovernmental	36,801	-	36,801
Licenses, fees and charges	14,223	-	14,223
Fines and forfeitures	350	-	350
Administrative grants	363,332	-	363,332
Other revenue	40,944	-	40,944
Net investment income	464	31,012	31,476
Capital grants	<u>-</u>	<u>1,171,081</u>	<u>1,171,081</u>
TOTAL REVENUES	<u>592,972</u>	<u>1,202,093</u>	<u>1,795,065</u>
EXPENDITURES:			
Current:			
Legislative	87,224	-	87,224
Administrative	154,114	-	154,114
Facility maintenance	29,827	-	29,827
Revitalization and marketing	73,573	-	73,573
Police department	299,748	-	299,748
Fire department	40,017	-	40,017
Community development and planning	13,051	-	13,051
Public works	153,196	-	153,196
Parks and cemetery	50,681	-	50,681
Capital outlay	<u>-</u>	<u>2,385,943</u>	<u>2,385,943</u>
TOTAL EXPENDITURES	<u>901,431</u>	<u>2,385,943</u>	<u>3,287,374</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (308,459)	 (1,183,850)	 (1,492,309)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	300,000	1,054,400	1,354,400
Operating transfer out	<u>(4,400)</u>	<u>-</u>	<u>(4,400)</u>
NET CHANGE IN FUND BALANCE	(12,859)	(129,450)	(142,309)
FUND BALANCES, BEGINNING	<u>392,340</u>	<u>1,497,554</u>	<u>1,889,894</u>
FUND BALANCES, ENDING	<u><u>\$ 379,481</u></u>	<u><u>\$ 1,368,104</u></u>	<u><u>\$ 1,747,585</u></u>

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

City of Victor
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ (142,309)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which additions to capital assets of \$1,478,880 exceeded depreciation of \$208,169 in the current year.

1,270,711

Change in net position of governmental activities

\$ 1,128,402

City of Victor
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues				
Taxes:				
Property tax	59,594	59,594	52,457	(7,137)
Sales tax	42,400	42,400	57,238	14,838
Specific ownership tax	6,000	6,000	7,285	1,285
	<u>107,994</u>	<u>107,994</u>	<u>116,980</u>	<u>8,986</u>
Franchise fees:				
Franchise - Electric	15,500	15,500	14,545	(955)
Franchise - TV/Telephone	135	135	204	69
Franchise - Natural gas	6,200	6,200	5,129	(1,071)
	<u>21,835</u>	<u>21,835</u>	<u>19,878</u>	<u>(1,957)</u>
Intergovernmental:				
Cigarette tax	-	-	182	182
Mineral severance tax	9,000	9,000	5,656	(3,344)
Highway Users Tax (HUTF)	18,905	18,905	23,684	4,779
Conservation Trust entitlement	-	-	4,222	4,222
Motor vehicle	1,950	1,950	2,273	323
Road and bridge shareback	900	900	784	(116)
	<u>30,755</u>	<u>30,755</u>	<u>36,801</u>	<u>6,046</u>
Licenses, Fees and Charges:				
Business, liquor and other licenses	2,725	2,725	5,027	2,302
Building permit and service fees	11,000	11,000	9,196	(1,804)
	<u>13,725</u>	<u>13,725</u>	<u>14,223</u>	<u>498</u>
Fines and Forfeitures:				
Police department/court fees and fines	100	100	350	250
	<u>100</u>	<u>100</u>	<u>350</u>	<u>250</u>
Administrative Grants:				
State grants	263,662	263,662	288,332	24,670
Other grants/contributions	100,000	100,000	75,000	(25,000)
	<u>363,662</u>	<u>363,662</u>	<u>363,332</u>	<u>(330)</u>
Other Revenues:				
Donations and contributions	-	-	10,000	10,000
Fees for use of public facilities	600	600	1,500	900
Leases	12,000	12,000	11,603	(397)
Sale of surplus property	1,000	1,000	10,848	9,848
Other income	500	500	6,993	6,493
	<u>14,100</u>	<u>14,100</u>	<u>40,944</u>	<u>26,844</u>
Net Investment Income:				
Net investment income	400	400	464	64
	<u>400</u>	<u>400</u>	<u>464</u>	<u>64</u>
Total Revenues	<u>552,571</u>	<u>552,571</u>	<u>592,972</u>	<u>40,401</u>

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

City of Victor
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Expenditures				
Legislative:				
City Council stipend	26,819	26,819	26,434	385
Donations to other organizations/projects	60,600	60,600	56,987	3,613
Dues and memberships	525	525	513	12
Travel and training	3,000	3,000	338	2,662
Miscellaneous	3,000	3,000	2,952	48
	<u>93,944</u>	<u>93,944</u>	<u>87,224</u>	<u>6,720</u>
Administrative:				
Salaries and benefits	94,388	94,388	79,444	14,944
Dues and memberships	685	685	850	(165)
Travel and training	6,000	6,000	3,725	2,275
Audit and accounting	4,500	4,500	4,267	233
County Treasurer's fees	1,788	1,788	1,321	467
Insurance	5,098	5,098	5,288	(190)
Legal	18,000	18,000	18,350	(350)
Legal services - Court	-	-	14,847	(14,847)
Magistrate	6,000	6,000	6,000	-
Election	-	-	1,535	(1,535)
Office supplies	3,000	3,000	4,100	(1,100)
Other professional services	3,000	3,000	1,824	1,176
Photocopy	3,400	3,400	2,329	1,071
Publication and publishing	2,200	2,200	2,075	125
Technical support	3,600	3,600	3,331	269
Miscellaneous	5,000	5,000	4,828	172
	<u>156,659</u>	<u>156,659</u>	<u>154,114</u>	<u>2,545</u>
Facility Maintenance:				
Maintenance - City Hall	9,000	9,000	7,669	1,331
Utilities - City Hall	17,250	17,250	16,028	1,222
Maintenance - Community Center (VICCI)	2,500	2,500	1,284	1,216
Utilities - Community Center (VICCI)	3,800	3,800	2,662	1,138
Maintenance - Agricultural and Mining Museum	1,000	1,000	(27)	1,027
Fixture/Equipment Maintenance	1,000	1,000	2,211	(1,211)
	<u>34,550</u>	<u>34,550</u>	<u>29,827</u>	<u>4,723</u>
Revitalization and Marketing:				
Salaries and benefits	30,049	30,049	17,522	12,527
Advertising	10,000	10,000	14,487	(4,487)
City sponsored events	5,000	5,000	15,077	(10,077)
Dues and memberships	1,600	1,600	1,075	525
Revitalization projects and programs	20,000	20,000	15,779	4,221
Utilities	750	750	583	167
Travel and training	8,000	8,000	7,099	901
Minor equipment	1,200	1,200	1,706	(506)
Office supplies	300	300	195	105
Miscellaneous	600	600	50	550
	<u>77,499</u>	<u>77,499</u>	<u>73,573</u>	<u>3,926</u>
Police Department:				
PD Operating	790	790	574	216
Animal control	225	225	183	42
Contract services	287,408	287,408	287,208	200
Vehicle Maint/Repair/Oil	1,500	1,500	-	1,500
Utilities	11,225	11,225	5,890	5,335
Vehicle fuel	5,000	5,000	5,893	(893)
Miscellaneous	100	100	-	100
	<u>306,248</u>	<u>306,248</u>	<u>299,748</u>	<u>6,500</u>

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

City of Victor
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Fire Department:				
Fire Chief stipend	11,009	11,009	12,813	(1,804)
Dues and memberships	500	500	250	250
Insurance	1,416	1,416	1,436	(20)
Travel and training	2,500	2,500	3,120	(620)
Equipment maintenance, repair, oil and fuel	3,800	3,800	3,986	(186)
Building facility maintenance	5,000	5,000	955	4,045
Fixture and equipment maintenance	3,000	3,000	896	2,104
Minor equipment	6,000	6,000	7,115	(1,115)
Radios and maintenance	1,000	1,000	-	1,000
Technical support	2,200	2,200	1,960	240
Utilities	5,700	5,700	4,294	1,406
Volunteer bonus program	2,500	2,500	2,530	(30)
Miscellaneous	1,350	1,350	662	688
	<u>45,975</u>	<u>45,975</u>	<u>40,017</u>	<u>5,958</u>
Community Development and Planning:				
Building code administration and enforcement	9,000	9,000	9,096	(96)
Dangerous building abatement	18,000	18,000	2,554	15,446
Legal services	2,000	2,000	1,014	986
Miscellaneous	500	500	387	113
	<u>29,500</u>	<u>29,500</u>	<u>13,051</u>	<u>16,449</u>
Public Works:				
Salaries and benefits	95,670	95,670	79,751	15,919
Travel and training	1,500	1,500	192	1,308
Insurance	7,080	7,080	7,210	(130)
Equipment maintenance, repair, oil and fuel	22,200	22,200	16,773	5,427
Building facility maintenance	5,000	5,000	4,307	693
Fixture maintenance	8,000	8,000	2,716	5,284
Road and sidewalk maintenance	40,000	40,000	2,303	37,697
Supplies	4,050	4,050	6,966	(2,916)
Professional services	5,000	5,000	-	5,000
Technical support	500	500	150	350
Tools and equipment	4,000	4,000	5,047	(1,047)
Utilities	31,700	31,700	24,798	6,902
Miscellaneous	3,500	3,500	2,983	517
	<u>228,200</u>	<u>228,200</u>	<u>153,196</u>	<u>75,004</u>
Parks and Cemetery:				
Salaries and benefits	25,135	25,135	33,014	(7,879)
Cemetery maintenance	1,000	1,000	274	726
Equipment maintenance, repair, oil and fuel	500	500	-	500
Minor equipment	4,000	4,000	2,258	1,742
Parks maintenance	17,500	17,500	4,785	12,715
Sanitation services	2,070	2,070	1,825	245
Supplies	1,200	1,200	1,489	(289)
Utilities	4,800	4,800	6,421	(1,621)
Miscellaneous	600	600	615	(15)
	<u>56,805</u>	<u>56,805</u>	<u>50,681</u>	<u>6,124</u>
Total Expenditures	<u>1,029,380</u>	<u>1,029,380</u>	<u>901,431</u>	<u>127,949</u>
Excess Revenues over (under) Expenditures	(476,809)	(476,809)	(308,459)	168,350

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

City of Victor
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
Other Financing Sources (Uses)				
Transfers from other funds	460,000	460,000	300,000	(160,000)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(4,400)</u>	<u>(4,400)</u>
Net Change in Fund Balance	(16,809)	(16,809)	(12,859)	3,950
Fund Balances, Beginning of Year	<u>316,378</u>	<u>316,378</u>	<u>392,340</u>	<u>75,962</u>
Fund Balances, End of Year	<u>\$ 299,569</u>	<u>\$ 299,569</u>	<u>\$ 379,481</u>	<u>\$ 79,912</u>

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

City of Victor
Proprietary Funds
Statement of Net Position
December 31, 2018

	Utility Enterprise Fund
Assets	
Cash and investments	\$ 535,301
Utility fees receivable	192,393
Other receivables	3,925
Capital assets, not being depreciated	151,120
Capital assets, net of accumulated depreciation	<u>5,306,733</u>
Total Assets	<u>6,189,472</u>
Liabilities	
Accounts payable	37,296
Compensated absences	<u>19,454</u>
Total Liabilities	<u>56,750</u>
Net Position	
Net investment in capital assets	5,457,853
Unrestricted	<u>674,869</u>
Total Net Position	<u><u>\$ 6,132,722</u></u>

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

City of Victor
Proprietary Funds
Statement of Revenues, Expenditures
and Changes in Fund Net Position
For the Year Ended December 31, 2018

	Utility Enterprise Fund
Operating Revenues	
Raw water sales	\$ 1,777,740
Raw water miscellaneous sales	167,288
Raw water wheeling and storage fees	42,251
Treated water sales - Residential	69,588
Treated water sales - Commercial	13,122
Wastewater sales - Residential	117,325
Wastewater sales - Commercial	26,257
Liquid waste disposal fees	26,553
Total Operating Revenues	<u>2,240,124</u>
Operating Expenses	
General and administration	6,252
Operations:	
Raw water	175,038
Treated water	276,347
Wastewater	261,506
Depreciation	331,044
Total Operating Expenses	<u>1,050,187</u>
Income (Loss) From Operations	<u>1,189,937</u>
Other Income (Expenses)	
Treated water - Capital replacement fees	21,562
Wastewater - Capital replacement fees	13,048
Other	2,651
Capital assets transferred from Governmental Funds	788,481
Total Other Income (Expenses)	<u>825,742</u>
Net Income Before Transfers	2,015,679
Transfers In (Out)	<u>(1,350,000)</u>
CHANGE IN NET POSITION	<u>665,679</u>
NET POSITION, BEGINNING OF YEAR	<u>5,467,043</u>
NET POSITION, END OF YEAR	<u><u>\$ 6,132,722</u></u>

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

City of Victor
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2018

	UTILITY ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and other sources	\$ 2,236,251
Cash paid to suppliers	(371,361)
Cash paid to employees	(332,778)
Net Cash From Operating Activities	<u>1,532,112</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>2,655</u>
Net Cash From Investing Activities	<u>2,655</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in (out)	<u>(1,350,000)</u>
Net Cash From Non-Capital Financing Activities	<u>(1,350,000)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Fees	<u>32,532</u>
Net Cash From Capital and Financing Activities	<u>32,532</u>
Net Change in Cash and Cash Equivalents	217,299
CASH AND CASH EQUIVALENTS	
Beginning of Year	<u>318,002</u>
End of Year	<u><u>\$ 535,301</u></u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities	
Net Operating Income (Loss)	\$ 1,189,937
Adjustments to reconcile operationg income (loss) to net cash flows from operating activities	
Depreciation	331,044
(Increase) Decrease in Accounts Receivable, Net	(3,873)
Increase (Decrease) in Accounts Payable	9,824
Increase (Decrease) in Compensated Absences	5,180
Net Cash From Operating Activities	<u><u>\$ 1,532,112</u></u>

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

City of Victor

Notes to Financial Statements

December 31, 2018

1. Definition of Reporting Entity

The City was founded in 1893. It operates under a Mayor/Council statutory form of government and provides the following services: public safety (police and fire), public works (highway and streets), water, sewer, parks and recreation, cemetery, community development (including planning, building and zoning), downtown revitalization and general government.

The City follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

2. Summary of Significant Accounting Policies

The more significant accounting policies of the City are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the primary government and its component units. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the City is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a 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 as general revenues.

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Separate financial statements are provided for the 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property, equipment and infrastructure are shown as increases in assets, while the redemption of bonds and/or payment of debts (principal portion) are recorded as a reduction in liabilities.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within a reasonable period (typically within 60 days) following the end of the current fiscal period. The major sources of revenue susceptible to accrual are taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses 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 non-operating revenues and expenses.

The City reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital improvements and equipment.

The City reports the following major proprietary fund:

The Utility Enterprise Fund accounts for activities related to the offering of water and wastewater services to the City's residents and certain outside users.

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Budgets

In accordance with the State Budget Law, the City Council holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The City Council can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting, unless otherwise indicated.

Pooled Cash and Investments

The City follows the practice of pooling cash and investments of all funds to maximize interest earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Cash Equivalents

For purposes of the statement of cash flows, the City considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Tap fees, water and sewer fees and other similar fees constitute a perpetual lien on or against the property served until paid. Such fees, when uncollectible, can be certified to the County Treasurer and attach to the tax rolls. Therefore, no provision for doubtful accounts has been provided in the financial statements.

Property Taxes

Property taxes are levied by the City Council. The levy is based on assessed valuations determined by Teller County Assessor generally as of January of each year. The levy is set no later than December 15 by certifications to the Teller County Commissioners to put the tax lien on the property as of January 1 of the following year. Teller County bills and collects taxes for the City. At the option of the taxpayer, property taxes may be paid either in full on April 30, or two installments on February 28 and June 15. The County remits the taxes collected to the City on a monthly basis. Delinquent taxpayers are notified in August and sale of the tax liens on delinquent properties are generally held in November or December.

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Property taxes, net of estimated uncollectible taxes, are recorded as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenue is recorded as revenue in the year it is available and collected.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	30 - 50 years
Machinery, equipment and computers	5 - 15 years
Infrastructure	30 - 40 years

The City has elected to not retroactively report infrastructure.

Compensated Absences

Employees of the City are allowed to accumulate unused vacation time up to one year's accrual plus 40 hours. Upon termination of employment, an employee will be compensated for all eligible accrued vacation time at their current rate of pay. Vacation accrual is recorded in the government-wide financial statements.

Fund Equity/Fund Balance

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - This component of net position consists of assets that are restricted for use

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.

- Unrestricted - The component of net position that does not meet the definition above.

In the governmental funds, fund balances should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, City Council. The constraint may be removed or changed only through formal action of City Council.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the City's practice to use the least restrictive classification first.

City of Victor, Colorado

Notes to Financial Statements (continued)

December 31, 2018

3. Cash and Cash Equivalents

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Statement of net position:		
Cash and investments	\$ 1,821,756	\$ 535,301
Cash and investments - Restricted	59,213	-
Total cash and investments	<u>\$ 1,880,969</u>	<u>\$ 535,301</u>

Cash and investments as of December 31, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cash on hand	\$ 300	\$ -
Deposits with financial institutions	1,246,330	-
Investments	634,339	535,301
Total cash and investments	<u>\$ 1,880,969</u>	<u>\$ 535,301</u>

Deposits with Financial Institutions

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners 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.

None of the City's deposits are subject to custodial risk since they are deposited in certified eligible public depositories under the PDPA.

As of December 31, 2018, the City's cash deposits for governmental and business-type activities had a bank balance totaling \$2,464,481 and a carrying balance totaling \$2,416,270.

Investments

The City has not adopted a formal investment policy; however, the City follows state statutes regarding investments.

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

3. Cash and Cash Equivalents (continued)

The City generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the City is not subject to concentration risk disclosure requirements or to investment custodial credit risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the City Council. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2018, the City had investments totaling \$1,507,553 as follows:

Investment	Maturity	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 634,339</u>	<u>\$ 873,214</u>

COLOTRUST

The City invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00.

City of Victor, Colorado

Notes to Financial Statements (continued)

December 31, 2018

3. Cash and Cash Equivalents (continued)

COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAm by Standard & Poor's.

4. Interfund Transfers

The following schedule summarizes the City's interfund transfers for the year ended December 31, 2018:

Transfers Out	Transfers In	
	General Fund	Capital Projects Fund
Utility Enterprise Fund	\$ 300,000	\$ 1,050,000
General Fund	-	4,400

The transfers from the Utility Enterprise Fund to the General Fund and Capital Projects Fund were made during 2018 pursuant to the policies adopted by the City Council which commits/allocates the net available revenue (after operating expenses) of the raw water operations within the Utility Enterprise Fund to certain operational expenditures (General Fund) and capital outlay (Capital Projects Fund).

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

5. Capital Assets

Changes in governmental capital assets for the year ended December 31, 2018, follow:

<u>Governmental Activities</u>	Balance December 31, 2017	Additions	Conveyances or Retirements	Balance December 31, 2018
Capital assets, not being depreciated:				
Land	\$ 185,360	\$ 16,989	\$ -	\$ 202,349
Capital Assets, being depreciated:				
Buildings and improvements	4,210,138	1,417,690	-	5,627,828
Machinery, equipment and computers	1,443,260	44,200	-	1,487,460
Infrastructure	2,746,301	-	-	2,746,301
Total depreciable assets	<u>8,399,699</u>	<u>1,461,890</u>	<u>-</u>	<u>9,861,589</u>
Total capital assets	<u>8,585,059</u>	<u>1,478,879</u>	<u>-</u>	<u>10,063,938</u>
Less accumulated depreciation:				
Total accumulated depreciation	<u>(2,498,673)</u>	<u>(208,168)</u>	<u>-</u>	<u>(2,706,841)</u>
Depreciable assets, net	<u>5,901,026</u>	<u>1,253,722</u>	<u>-</u>	<u>7,154,748</u>
Governmental activities assets, net	<u>\$ 6,086,386</u>	<u>\$1,270,711</u>	<u>\$ -</u>	<u>\$ 7,357,097</u>

	<u>Governmental Activities</u>
General government	\$ 104,518
Public safety	34,273
Public works	<u>69,377</u>
Total depreciation expense	<u>\$ 208,168</u>

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

5. Capital Assets (continued)

Changes in business-type capital assets for the year ended December 31, 2018, follow:

<u>Business-Type Activities</u>	Balance December 31, 2017	Additions	Conveyances or Retirements	Balance December 31, 2018
Capital assets, not being depreciated:				
Land and water rights	\$ 151,120	\$ -	\$ -	\$ 151,120
Capital Assets, being depreciated:				
Machinery, equipment and computers	449,174	-	-	449,174
Infrastructure	1,078,793	-	-	1,078,793
Water plant and systems	3,332,680	788,481	-	4,121,161
Wastewater plant and systems	5,867,271	-	-	5,867,271
Total depreciable assets	<u>10,727,918</u>	<u>788,481</u>	<u>-</u>	<u>11,516,399</u>
Total capital assets	<u>10,879,038</u>	<u>788,481</u>	<u>-</u>	<u>11,667,519</u>
Less accumulated depreciation:				
Total accumulated depreciation	<u>(5,878,622)</u>	<u>(331,044)</u>	<u>-</u>	<u>(6,209,666)</u>
Depreciable assets, net	<u>4,849,296</u>	<u>457,437</u>	<u>-</u>	<u>5,306,733</u>
Business-type activities capital assets, net	<u>\$ 5,000,416</u>	<u>\$ 457,437</u>	<u>\$ -</u>	<u>\$ 5,457,853</u>
				<u>Business-Type Activities</u>
Water				\$ 65,543
Wastewater				<u>265,501</u>
Total depreciation expense				<u>\$ 331,044</u>

6. Net Position

The City has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, capital leases and other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2018, the City had net investment in capital assets calculated as follows:

City of Victor, Colorado

Notes to Financial Statements (continued)

December 31, 2018

6. Net Position (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets, net	\$ 7,357,097	\$ 5,457,853
Retainage payable	<u>(63,883)</u>	<u>-</u>
Net investment in capital assets	<u>\$ 7,293,214</u>	<u>\$ 5,457,853</u>

The restricted component of net position consist of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislations. As of December 31, 2018, the City had restricted net position as follows:

	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve	\$ 28,000
Conservation Trust	<u>12,784</u>
	<u>\$ 40,784</u>

As of December 31, 2018, the City's unrestricted net position totaled \$2,439,303.

7. Commitments, Contingencies and Economic Dependency

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require 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 Capital Projects Fund. However, in the opinion of the City, any such disallowed claims will not have a material effect on the financial statements of the individual fund type or on the overall financial position of the City at December 31, 2018.

The City has only one major employer within its City limits, the Cripple Creek & Victor Gold Mining Company, which accounts for a significant portion of the City's utility fees revenue.

8. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self insurance pool created by intergovernmental agreement to provide property,

City of Victor, Colorado
Notes to Financial Statements (continued)
December 31, 2018

8. Risk Management (continued)

liability and workers' compensation coverage to its members. CIRSA is governed by a seven member Board elected by and from its members.

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and that amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

Settled claims have not exceeded insurance coverage in the last three years.

9. Tax, Spending, Revenue and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2018, the City has reserved \$28,000 for emergencies.

The City's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

City of Victor, Colorado

Required Supplementary Information

City of Victor
Capital Projects Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues				
Federal grants	\$ 700,000	\$ 700,000	\$ 665,000	\$ (35,000)
State grants	458,523	458,523	503,523	45,000
Other grants and contributions	-	-	2,558	2,558
Net investment income	12,000	12,000	31,012	19,012
Total Revenues	<u>1,170,523</u>	<u>1,170,523</u>	<u>1,202,093</u>	<u>31,570</u>
Expenditures				
Land purchase	5,000	5,000	21,720	(16,720)
Capital improvements - General	1,246,500	1,246,500	1,478,808	(232,308)
Capital equipment - General	79,500	79,500	56,036	23,464
Land - Raw water	-	-	174	(174)
Capital improvements - Raw water	25,000	25,000	4,800	20,200
Capital equipment - Raw water	5,000	5,000	-	5,000
Capital improvements - Treated water	650,000	650,000	818,813	(168,813)
Capital equipment - Treated water	12,500	12,500	-	12,500
Capital improvements - Wastewater	20,000	20,000	5,592	14,408
Total Expenditures	<u>2,043,500</u>	<u>2,043,500</u>	<u>2,385,943</u>	<u>(342,443)</u>
Excess of Revenues over (under) Expenditures	(872,977)	(872,977)	(1,183,850)	(310,873)
Other Financing Sources (Uses)				
Transfers from other funds	<u>550,000</u>	<u>550,000</u>	<u>1,054,400</u>	<u>504,400</u>
Net Change in Fund Balance	(322,977)	(322,977)	(129,450)	193,527
Fund Balance, Beginning of Year	<u>1,375,857</u>	<u>1,375,857</u>	<u>1,497,554</u>	<u>121,697</u>
Fund Balance, End of Year	<u>\$ 1,052,880</u>	<u>\$ 1,052,880</u>	<u>\$ 1,368,104</u>	<u>\$ 315,224</u>

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

City of Victor
Utility Fund
Schedule of Revenues, Expenditures
And Changes in Net Position—Budget and Actual
For the Year Ended December 31, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Operating Revenues				
Raw water sales	\$ 1,130,000	\$ 1,130,000	\$ 1,777,740	\$ 647,740
Raw water miscellaneous sales	167,288	167,288	167,288	-
Raw water wheeling and storage fees	25,000	25,000	42,251	17,251
Treated water sales - Residential	65,000	65,000	69,588	4,588
Treated water sales - Commercial	12,500	12,500	13,122	622
Wastewater sales - Residential	117,600	117,600	117,325	(275)
Wastewater sales - Commercial	24,000	24,000	26,257	2,257
Liquid waste disposal fees	30,000	30,000	26,553	(3,447)
Total Operating Revenues	1,571,388	1,571,388	2,240,124	668,736
Operating Expenses				
General and administration:				
Treated water - Salaries and benefits	178,214	178,214	169,155	9,059
Treated water - Dues and memberships	270	270	175	95
Treated water - Travel and training	1,000	1,000	255	745
Wastewater - Salaries and benefits	178,214	178,214	168,777	9,437
Wastewater - Dues and memberships	100	100	-	100
Wastewater - Travel and training	1,500	1,500	135	1,365
Audit and accounting	9,000	9,000	8,534	466
General engineering	6,000	6,000	-	6,000
Legal	2,000	2,000	78	1,922
Insurance	14,160	14,160	14,454	(294)
Other	5,000	5,000	3,926	1,074
Raw water:				
Legal and engineering services	20,000	20,000	6,252	13,748
Purchased water	167,288	167,288	169,372	(2,084)
Dam maintenance	10,000	10,000	5,666	4,334
Treated water:				
Collection and distribution lines repair	20,000	20,000	44,020	(24,020)
Equipment maintenance, repair, oil and fuel	7,333	7,333	6,897	436
Building facility maintenance	11,500	11,500	4,000	7,500
Fixture maintenance	10,000	10,000	4,267	5,733
Lab analysis and chemicals	12,500	12,500	10,092	2,408
Utilities	14,500	14,500	11,115	3,385
Equipment rentals and sanitation	1,400	1,400	1,110	290
Technical support	5,200	5,200	3,020	2,180
Tools and equipment	9,300	9,300	6,552	2,748
Permit fees	200	200	100	100
Miscellaneous/contingency	3,500	3,500	2,190	1,310

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

City of Victor
Utility Fund
Schedule of Revenues, Expenditures
And Changes in Net Position—Budget and Actual
For the Year Ended December 31, 2018
(Continued)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Wastewater:				
Collection and distribution lines repair	35,000	35,000	4,564	30,436
Equipment maintenance, repair, oil and fuel	7,333	7,333	6,917	416
Building facility maintenance	2,000	2,000	2,356	(356)
Fixture maintenance	8,500	8,500	4,519	3,981
Lab analysis and chemicals	16,500	16,500	18,044	(1,544)
Sludge hauling	15,000	15,000	18,580	(3,580)
Utilities	12,400	12,400	11,863	537
Technical support	5,200	5,200	3,239	1,961
Tools and equipment	6,000	6,000	2,607	3,393
Permit fees	1,515	1,515	1,849	(334)
Miscellaneous/contingency	3,100	3,100	4,463	(1,363)
Total Operating Expenses	<u>800,727</u>	<u>800,727</u>	<u>719,143</u>	<u>81,584</u>
Other Income (Expenses)				
Treated water - Capital replacement fees	20,000	20,000	21,562	1,562
Wastewater - Capital replacement fees	12,500	12,500	13,048	548
Interest/Penalties/Fees	1,300	1,300	1,596	296
Other Income	1,000	1,000	1,055	55
Net Other Income (Expenses)	<u>34,800</u>	<u>34,800</u>	<u>37,261</u>	<u>2,461</u>
Net Income (Loss) Before Transfers	<u>805,461</u>	<u>805,461</u>	<u>1,558,242</u>	<u>752,781</u>
Transfers				
Transfers to other funds	<u>(1,010,000)</u>	<u>(1,010,000)</u>	<u>(1,350,000)</u>	<u>(340,000)</u>
Net Transfers	<u>(1,010,000)</u>	<u>(1,010,000)</u>	<u>(1,350,000)</u>	<u>(340,000)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (204,539)</u>	<u>\$ (204,539)</u>	208,242	<u>\$ 412,781</u>
Budget to GAAP-Basis Adjustments:				
Depreciation			(331,044)	
Capital assets transferred from Governmental Funds			<u>788,481</u>	
Change in Net Position GAAP			<u>\$ 665,679</u>	

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

City of Victor, Colorado

State Compliance Section

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

LOCAL HIGHWAY FINANCE REPORT		City or County:
		City of Victor
		YEAR ENDING : December 2018
This Information From The Records Of City of Victor		Prepared By: Debra Downs, City Manager Phone:

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	926,793
3. Other local imposts (from page 2)	7,285
4. Miscellaneous local receipts (from page 2)	784
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	934,862
B. Private Contributions	
C. Receipts from State government (from page 2)	25,957
D. Receipts from Federal Government (from page 2)	700,000
E. Total receipts (A.7 + B + C + D)	1,660,818

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	1,342,773
2. Maintenance:	122,555
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	30,629
c. Other	
d. Total (a. through c.)	30,629
4. General administration & miscellaneous	
5. Highway law enforcement and safety	164,861
6. Total (1 through 5)	1,660,818
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	1,660,818

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	1,660,818	1,660,818	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2018	

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	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	7,285	g. Other Misc. Receipts	
6. Total (1. through 5.)	7,285	h. Other	
c. Total (a. + b.)	7,285	i. Total (a. through h.)	0
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	23,684	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	2,273	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal - CDBG	700,000
f. Total (a. through e.)	2,273	g. Total (a. through f.)	700,000
4. Total (1. + 2. + 3.f)	25,957	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		49,275	49,275
c. Construction:			
(1). New Facilities		1,293,498	1,293,498
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,293,498	1,293,498
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,342,773	1,342,773
			(Carry forward to page 1)

Notes and Comments: