

TOWN OF FLAGLER, COLORADO

FINANCIAL STATEMENTS

December 31, 2019

TABLE OF CONTENTS

| | |
|--|----------|
| INDEPENDENT AUDITORS' REPORT | i |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 1 |
| BASIC FINANCIAL STATEMENTS | |
| <i>Government-wide Financial Statements</i> | |
| Statement of Net position | 5 |
| Statement of Activities | 6 |
| <i>Fund Financial Statements</i> | |
| Balance Sheet – Governmental Funds | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 8 |
| Statement of Net Position – Proprietary Fund | 9 |
| Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Fund | 10 |
| Statement of Cash Flows – Proprietary Fund | 11 |
| Notes to Financial Statements | 12 |
| Required Supplementary - Information | |
| Budgetary Comparison – General Fund | 23 |
| Other Supplemental Information | |
| Budgetary Comparison – Conservation Trust Fund | 24 |
| Budgetary Comparison – Garbage Fund | 25 |
| Budgetary Comparison – Water Fund | 26 |
| Budgetary Comparison – Wastewater Fund | 27 |
| Special Reports | |
| Local Highway Finance Report | 28 |

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Town of Flagler, Colorado

We have audited the accompanying financial statements of the governmental activities, business activities and each major fund of the Town of Flagler, Colorado as of and for the year ended December 31, 2019, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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.

Opinions

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

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Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison schedule General Fund, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Flagler, Colorado's basic financial statements as a whole. The Other Supplemental Information and the Local Highway Finance Report as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental Information and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Gurn + Associates LLC". The signature is written in a cursive, flowing style.

Longmont, Colorado
September 16, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Flagler (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$4,624,084 (*net position*). Of this amount, \$678,629 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$251,566.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$212,973.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis ("MD&A") is intended to serve as an introduction to the Town's basic financial statements. The Town'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 required and other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal period (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, community development, culture, parks, recreation, cemetery, and library. The business-type activities of the Town include sewer and water operations.

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. During the year the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. All of the funds

of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.

The governmental funds statements provide a detailed short-term view of governmental fund operations and the basic services it provides. These statements help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences between governmental activities reported in the statement of net position and the statement of activities and governmental funds are described in the accompanying reconciliations.

Proprietary funds. The Town maintains three types of proprietary fund, enterprise fund. The Town uses enterprise funds to account for its garbage, water and sewer operations.

The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operating of the Town are included in the statement of net position.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information concerning the Town's combining financial statements for non-major funds, the budget comparison statements for non-major and enterprise funds.

This foregoing information is a summary of the financial information contained in the Town's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 5.

Discussion of Financial Position and Operating Activities Net position at the end of December 2019 was \$1,374,427 for the governmental activities, \$3,249,657 for the business-type activities and \$4,624,084 for the primary government. This increase is from revenues that exceeded expenses by \$251,566 for the primary government. The primary driver of the change was increased revenues from property taxes, grants, and cost reduction efforts relating to operations.

The restricted portion of net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Primary Government | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and Other Assets | \$ 440,361 | \$ 401,618 | \$ 478,217 | \$ 359,409 | \$ 918,578 | \$ 761,027 |
| Capital Assets | 1,106,669 | 924,864 | 2,954,291 | 3,079,585 | 4,060,960 | 4,004,449 |
| Total Assets | <u>1,547,030</u> | <u>1,326,482</u> | <u>3,432,508</u> | <u>3,438,994</u> | <u>4,979,538</u> | <u>4,765,476</u> |
| Current Liabilities | 45,221 | 34,304 | 77,025 | 13,232 | 122,246 | 47,536 |
| Long Term Liabilities | - | - | 105,826 | 232,038 | 105,826 | 232,038 |
| Total Liabilities | <u>45,221</u> | <u>34,304</u> | <u>182,851</u> | <u>245,270</u> | <u>228,072</u> | <u>279,574</u> |
| Deferred Inflows of Resources | <u>127,382</u> | <u>113,383</u> | <u>-</u> | <u>-</u> | <u>127,382</u> | <u>113,383</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 1,106,669 | 924,864 | 2,784,001 | 2,847,547 | 3,890,670 | 3,772,411 |
| Restricted | 54,785 | 41,706 | - | - | 54,785 | 41,706 |
| Unrestricted | 212,973 | 212,224 | 465,656 | 346,177 | 678,629 | 558,401 |
| Total Net Position | <u>\$ 1,374,427</u> | <u>\$ 1,178,794</u> | <u>\$ 3,249,657</u> | <u>\$ 3,193,724</u> | <u>\$ 4,624,084</u> | <u>\$ 4,372,518</u> |

Condensed Statement of Activities

| Statement of Activities | Governmental Activities | | Business-type Activities | | Primary Government | |
|---------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program Expenses | \$ 490,328 | \$ 478,196 | \$ 467,713 | \$ 488,943 | \$ 958,041 | \$ 967,139 |
| Program Revenues | 195,981 | 271,799 | 500,536 | 432,289 | 696,517 | 704,088 |
| Net Program Expense | <u>294,347</u> | <u>206,397</u> | <u>(32,823)</u> | <u>56,654</u> | <u>261,524</u> | <u>263,051</u> |
| General Revenues | 489,980 | 374,659 | 23,110 | (2,083) | 513,090 | 372,576 |
| Change in Net Position | <u>195,633</u> | <u>168,262</u> | <u>55,933</u> | <u>(58,737)</u> | <u>251,566</u> | <u>109,525</u> |
| Net Position, Beginning of Year | 1,178,794 | 1,010,532 | 3,193,724 | 3,252,461 | 4,372,518 | 4,262,993 |
| Net Position, End of Year | <u>\$ 1,374,427</u> | <u>\$ 1,178,794</u> | <u>\$ 3,249,657</u> | <u>\$ 3,193,724</u> | <u>\$ 4,624,084</u> | <u>\$ 4,372,518</u> |

The Town restricted three percent (3%) of its general revenues for emergencies in accordance with TABOR requirements. The Town had a TABOR reserve of \$20,117 at December 31, 2019. The Town's total assets are comprised primarily cash and equivalents, receivables for utility services and tax revenues, investments and long-term capital assets. The Town's total liabilities are comprised primarily of accounts payable relating to ongoing operations, long-term debt and pension related liabilities.

In 2019, program expenses exceeded program revenues by \$261,524 for the primary government. This was offset by net general revenues of \$513,090, which resulted in an overall increase in net position. See page 6 of the accompanying Financial Statements for details of these revenues and expenses.

Fund Discussion

Governmental Funds

The General Fund balance increased from \$225,585 in 2018 to \$233,090 in 2019. The primary reason for these changes were grants and other increased revenues. The fund balance includes \$20,117 of restricted amounts. The assets and liabilities are comprised primarily of cash and

receivables to be collected in 2019. As of December 31, 2019, the Town's combined fund balance for all governmental funds was \$360,029.

General Fund Budgetary Discussion

Actual revenues for 2019 were \$79,967 less than budgeted. Actual expenditures for 2019 were \$87,472 less than budgeted. The general fund budget was not amended in 2019.

Proprietary Fund

The Water Fund balance increased by \$56,921. The assets and liabilities are comprised primarily of cash; water accounts receivable and capital assets. Actual revenues for 2019 were \$82,166 more than the budgeted amount. Actual expenditures for 2019 were \$41,612 less than the budgeted amount.

The Wastewater Fund balance decreased by \$6,125 in 2019. The assets and liabilities are comprised primarily of cash, sewer accounts receivable and capital assets. Actual revenues for 2019 were \$12,312 more than the budgeted amount. Actual expenditures for 2019 were \$14,115 more than the budgeted amount due to lower than expected grant revenue and related spending.

The Garbage Fund balance increased by \$5,137. The assets and liabilities are comprised primarily of cash; accounts receivable and capital assets. Actual revenues for 2019 were \$26,324 more than the budgeted amount. Actual expenditures for 2019 were \$28,820 more than the budgeted amount.

Capital Assets and Long-term Obligations

Capital Assets. At the end of 2019 the Town had \$4,060,960 invested in a broad range of capital assets including major infrastructure such as buildings, roads, bridges, storm water drainage, parks and recreation facilities and water lines and distribution systems. More detailed information on the Town's capital assets is presented in detail in the notes to the financial statements.

Long-term Debt. The only changes to long-term debt was the scheduled payment of principal.

ECONOMIC FACTORS AND BUDGET OVERVIEW

The Town is expecting a slight increase in sales taxes in the upcoming year. Property taxes are expected to be slightly higher as well. There was no change in rates for the proprietary funds expected in the upcoming year.

Contacting the Town

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Flagler, 311 Main Ave, Flagler, CO 80815.

Basic Financial Statements

Town of Flagler, Colorado
Statement of Net Position
December 31, 2019

| | Governmental Activities | Business- Type Activities | Total |
|--|------------------------------------|--|---------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 70,562 | \$ 377,879 | \$ 448,441 |
| Cash with county treasurer | 2,436 | - | 2,436 |
| Investments | 158,329 | 62,978 | 221,307 |
| Accounts receivable - service charges (net of allowance) | - | 37,360 | 37,360 |
| Intergovernmental receivables | 50,403 | - | 50,403 |
| Property taxes receivable | 127,382 | - | 127,382 |
| Due from other funds | 824 | - | 824 |
| Cash and cash equivalents - Restricted | 30,425 | - | 30,425 |
| Total Current Assets | <u>440,361</u> | <u>478,217</u> | <u>918,578</u> |
| Noncurrent Assets | | | |
| Capital assets | | | |
| Nondepreciable | 314,114 | 194,862 | 508,976 |
| Depreciable | 1,357,666 | 4,545,255 | 5,902,921 |
| Total Capital Assets | <u>1,671,780</u> | <u>4,740,117</u> | <u>6,411,897</u> |
| Less accumulated depreciation | <u>(565,111)</u> | <u>(1,785,826)</u> | <u>(2,350,937)</u> |
| Net Capital Assets | <u>1,106,669</u> | <u>2,954,291</u> | <u>4,060,960</u> |
| Total Assets | <u>1,547,030</u> | <u>3,432,508</u> | <u>4,979,538</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 39,979 | 7,151 | 47,130 |
| Other accrued liabilities | 5,242 | 4,586 | 9,828 |
| Due to other funds | - | 824 | 824 |
| Long-term debt - current portion | - | 64,464 | 64,464 |
| Total Current Liabilities | <u>45,221</u> | <u>77,025</u> | <u>122,246</u> |
| Noncurrent Liabilities | | | |
| Long-term debt | - | 105,826 | 105,826 |
| Total Long Term Liabilities | <u>-</u> | <u>105,826</u> | <u>105,826</u> |
| Total Liabilities | <u>45,221</u> | <u>182,851</u> | <u>228,072</u> |
| Deferred Inflows of Resources | | | |
| Deferred property taxes | 127,382 | - | 127,382 |
| Total Deferred Inflows of Resources | <u>127,382</u> | <u>-</u> | <u>127,382</u> |
| Net Position | | | |
| Investment in capital assets | 1,106,669 | 2,784,001 | 3,890,670 |
| Restricted for emergencies (TABOR) | 20,117 | - | 20,117 |
| Restricted - other | 34,668 | - | 34,668 |
| Unrestricted | 212,973 | 465,656 | 678,629 |
| Total Net Position | <u>\$ 1,374,427</u> | <u>\$ 3,249,657</u> | <u>\$ 4,624,084</u> |

The accompanying notes are an integral part of these financial statements

Town of Flagler, Colorado
Statement of Activities
For the Year Ended December 31, 2019

| Functions / Programs | Program Revenues | | | Net (Expense) Revenue and Change in Net Position | | | | |
|--------------------------------------|-------------------------|-----------------------------|---|---|-------------------------------------|---------------------------------|-------------------------|------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | 143,996 | - | - | 195,981 | \$ 51,985 | \$ - | \$ 51,985 | |
| Public works | 285,723 | - | - | - | (285,723) | - | (285,723) | |
| Culture, parks and recreation | 60,609 | - | - | - | (60,609) | - | (60,609) | |
| Total Governmental Activities | <u>490,328</u> | <u>-</u> | <u>-</u> | <u>195,981</u> | <u>(294,347)</u> | <u>-</u> | <u>(294,347)</u> | |
| Business-type activities: | | | | | | | | |
| Garbage operations | 184,887 | 148,492 | - | - | - | (36,395) | (36,395) | |
| Water operations | 184,884 | 278,508 | - | - | - | 93,624 | 93,624 | |
| Wastewater operations | 97,942 | 73,536 | - | - | - | (24,406) | (24,406) | |
| Total Business-Type Activities | <u>467,713</u> | <u>500,536</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,823</u> | <u>32,823</u> | |
| TOTAL PRIMARY GOVERNMENT | <u><u>958,041</u></u> | <u><u>500,536</u></u> | <u><u>-</u></u> | <u><u>195,981</u></u> | <u><u>(294,347)</u></u> | <u><u>32,823</u></u> | <u><u>(261,524)</u></u> | |
| General Revenues | | | | | | | | |
| Property taxes | | | | | 111,089 | - | 111,089 | |
| Specific ownership taxes | | | | | 12,799 | - | 12,799 | |
| Other taxes and franchise fees | | | | | 289,599 | - | 289,599 | |
| Intergovernmental | | | | | 6,289 | - | 6,289 | |
| Connection fees | | | | | - | 4,500 | 4,500 | |
| Investment income | | | | | 1,421 | 847 | 2,268 | |
| Other | | | | | 59,695 | 26,851 | 86,546 | |
| Transfers | | | | | 9,088 | (9,088) | - | |
| Total General Revenues and Transfers | | | | | <u>489,980</u> | <u>23,110</u> | <u>513,090</u> | |
| | | | | | Change in Net Position | 195,633 | 55,933 | 251,566 |
| | | | | | Net Position - Beginning | 1,178,794 | 3,193,724 | 4,372,518 |
| | | | | | <u>Net Position - Ending</u> | <u>1,374,427</u> | <u>3,249,657</u> | <u>4,624,084</u> |

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Town of Flagler, Colorado
Balance Sheet
Governmental Funds
December 31, 2019**

| | Major Fund | Non-Major Fund | Total |
|--|-------------------|-----------------------|-------------------|
| | General | Conservation Trust | |
| Assets | | | |
| Cash and cash equivalents - unrestricted | \$ 70,562 | \$ - | \$ 70,562 |
| Investments | 158,329 | - | 158,329 |
| Cash with county treasurer | 2,436 | - | 2,436 |
| Property taxes receivable | 127,382 | - | 127,382 |
| Intergovernmental receivables | 50,403 | - | 50,403 |
| Due from other funds | 824 | 4,243 | 5,067 |
| Cash and cash equivalents - restricted | - | 30,425 | 30,425 |
| Total Assets | \$ 409,936 | \$ 34,668 | \$ 444,604 |
| Liabilities | | | |
| Accounts payable | \$ 39,979 | \$ - | \$ 39,979 |
| Other accrued liabilities | 5,242 | - | 5,242 |
| Due to other funds | 4,243 | - | 4,243 |
| Total Liabilities | 49,464 | - | 49,464 |
| Deferred Inflows of Resources | | | |
| Deferred property taxes | 127,382 | - | 127,382 |
| Total Deferred Inflows of Resources | 127,382 | - | 127,382 |
| Fund Balance | | | |
| Restricted | 20,117 | 34,668 | 54,785 |
| Unassigned | 212,973 | - | 212,973 |
| Total Fund Balance | 233,090 | 34,668 | 267,758 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 409,936 | \$ 34,668 | \$ 444,604 |

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

| | |
|---|---------------------|
| Total fund balances - governmental funds | \$ 267,758 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | |
| Capital assets | 1,671,780 |
| Accumulated depreciation | (565,111) |
| Net position of governmental activities | \$ 1,374,427 |

The accompanying notes are an integral part of these financial statements

Town of Flagler, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

| | Major Fund | Non-Major Fund | Total |
|--|------------|-----------------------|------------|
| | General | Conservation Trust | |
| Revenues | | | |
| Property taxes | \$ 111,089 | \$ - | \$ 111,089 |
| Specific ownership taxes | 12,799 | - | 12,799 |
| Other taxes and franchise fees | 289,599 | - | 289,599 |
| Intergovernmental | - | 6,289 | 6,289 |
| Investment income | 1,387 | 34 | 1,421 |
| Grants | 195,981 | - | 195,981 |
| Other | 59,695 | - | 59,695 |
| Total Revenues | 670,550 | 6,323 | 676,873 |
| Expenditures | | | |
| Current | | | |
| General government | 127,418 | - | 127,418 |
| Public works | 247,961 | - | 247,961 |
| Culture, parks and recreation | 59,901 | - | 59,901 |
| County treasurer fees | 2,644 | - | 2,644 |
| Capital outlay | 234,209 | - | 234,209 |
| Total Expenditures | 672,133 | - | 672,133 |
| Revenues over (under) expenditures | (1,583) | 6,323 | 4,740 |
| Other Financing Sources and (Uses) | | | |
| Transfers In (Out) | 9,088 | - | 9,088 |
| Total Other Financing Sources and (Uses) | 9,088 | - | 9,088 |
| Net Change in Fund Balance | 7,505 | 6,323 | 13,828 |
| Fund Balance, Beginning | 225,585 | 28,345 | 253,930 |
| Fund Balance, Ending | \$ 233,090 | \$ 34,668 | \$ 267,758 |

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

| | |
|---|------------|
| Net change in Fund Balances - total governmental funds | \$ 13,828 |
| Purchases of capital assets are expensed in governmental funds and depreciated on the statement | |
| Capital outlay | 234,209 |
| Assets are depreciated over time and charged to expense on the government-wide statements but | (52,404) |
| Disposal of capital assets | - |
| Change in net position - governmental activities | \$ 195,633 |

The accompanying notes are an integral part of these financial statements

Town of Flagler, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2019

| | <u>Garbage</u> | <u>Water</u> | <u>Wastewater</u> | <u>Total</u> |
|----------------------------------|------------------|---------------------|-------------------|---------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 280,116 | \$ 97,763 | \$ 377,879 |
| Investments | 55,831 | 7,147 | - | 62,978 |
| Receivables - service charges | 14,514 | 15,977 | 6,869 | 37,360 |
| Total Current Assets | <u>70,345</u> | <u>303,240</u> | <u>104,632</u> | <u>478,217</u> |
| Capital Assets | | | | |
| Nondepreciable | - | 184,548 | 10,314 | 194,862 |
| Depreciable | 364,248 | 3,014,979 | 1,166,028 | 4,545,255 |
| Total Capital Assets | <u>364,248</u> | <u>3,199,527</u> | <u>1,176,342</u> | <u>4,740,117</u> |
| Less accumulated depreciation | <u>(267,789)</u> | <u>(975,579)</u> | <u>(542,458)</u> | <u>(1,785,826)</u> |
| Net Capital Assets | <u>96,459</u> | <u>2,223,948</u> | <u>633,884</u> | <u>2,954,291</u> |
| Total Noncurrent Assets | <u>96,459</u> | <u>2,223,948</u> | <u>633,884</u> | <u>2,954,291</u> |
| Total Assets | <u>166,804</u> | <u>2,527,188</u> | <u>738,516</u> | <u>3,432,508</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 4,101 | 1,645 | 1,405 | 7,151 |
| Meter deposits | - | 4,586 | - | 4,586 |
| Due to other funds | 824 | - | - | 824 |
| Long term debt - current portion | 33,827 | 30,637 | - | 64,464 |
| Total Current Liabilities | <u>38,752</u> | <u>36,868</u> | <u>1,405</u> | <u>77,025</u> |
| Long Term Liabilities | | | | |
| Long term debt | 35,276 | 70,550 | - | 105,826 |
| Total Long Term Liabilities | <u>35,276</u> | <u>70,550</u> | <u>-</u> | <u>105,826</u> |
| Total Liabilities | <u>74,028</u> | <u>107,418</u> | <u>1,405</u> | <u>182,851</u> |
| Net Position | | | | |
| Investment in capital assets | 27,356 | 2,122,761 | 633,884 | 2,784,001 |
| Unrestricted | 65,420 | 297,009 | 103,227 | 465,656 |
| Total Net Position | <u>\$ 92,776</u> | <u>\$ 2,419,770</u> | <u>\$ 737,111</u> | <u>\$ 3,249,657</u> |

The accompanying notes are an integral part of these financial statements

Town of Flagler, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

| | <u>Garbage</u> | <u>Water</u> | <u>Wastewater</u> | <u>Total</u> |
|--------------------------------|----------------------|-------------------------|-----------------------|-------------------------|
| Operating Revenues | | | | |
| Charges for services | \$ 148,492 | \$ 278,508 | \$ 73,536 | \$ 500,536 |
| Other | - | 26,851 | - | 26,851 |
| Total Operating Revenues | <u>148,492</u> | <u>305,359</u> | <u>73,536</u> | <u>527,387</u> |
| Operating Expenses | | | | |
| General and Administration | 6,438 | 6,438 | 6,438 | 19,314 |
| Operations | 136,201 | 79,509 | 59,682 | 275,392 |
| Depreciation expense | 38,475 | 96,167 | 31,822 | 166,464 |
| Total Operating Expenses | <u>181,114</u> | <u>182,114</u> | <u>97,942</u> | <u>461,170</u> |
| Operating Income | <u>(32,622)</u> | <u>123,245</u> | <u>(24,406)</u> | <u>66,217</u> |
| Nonoperating Revenues | | | | |
| Interest income | 581 | 235 | 31 | 847 |
| Connection fees | - | - | 4,500 | 4,500 |
| Interest expense | (3,773) | (2,770) | - | (6,543) |
| Total Nonoperating Revenues | <u>(3,192)</u> | <u>(2,535)</u> | <u>4,531</u> | <u>(1,196)</u> |
| Income before transfers | <u>(35,814)</u> | <u>120,710</u> | <u>(19,875)</u> | <u>65,021</u> |
| Transfers In / (Out) | <u>40,951</u> | <u>(63,789)</u> | <u>13,750</u> | <u>(9,088)</u> |
| CHANGE IN NET POSITION | <u>5,137</u> | <u>56,921</u> | <u>(6,125)</u> | <u>55,933</u> |
| Net Position, Beginning | <u>87,639</u> | <u>2,362,849</u> | <u>743,236</u> | <u>3,193,724</u> |
| Net Position, Ending | <u><u>92,776</u></u> | <u><u>2,419,770</u></u> | <u><u>737,111</u></u> | <u><u>3,249,657</u></u> |

The accompanying notes are an integral part of these financial statements

Town of Flagler, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

| | <u>Garbage</u> | <u>Water</u> | <u>Wastewater</u> | <u>Total</u> |
|--|-----------------|-------------------|-------------------|-------------------|
| Cash Flows From Operating Activities | | | | |
| Cash received from customers | \$ 152,443 | \$ 295,870 | \$ 73,163 | \$ 521,476 |
| Cash paid to suppliers | (94,797) | (62,083) | (56,363) | (213,243) |
| Cash paid to employees | (49,540) | (19,313) | (9,519) | (78,372) |
| Net Cash Provided by Operating Activities | <u>8,106</u> | <u>214,474</u> | <u>7,281</u> | <u>229,861</u> |
| Cash Flows From Non-Capital Financing Activities | | | | |
| Change in due to / due from other funds | 824 | - | - | 824 |
| Connection fees | - | - | 4,500 | 4,500 |
| Transfers | 40,951 | (63,789) | 13,750 | (9,088) |
| Net cash provided by non-capital financing activities | <u>41,775</u> | <u>(63,789)</u> | <u>18,250</u> | <u>(3,764)</u> |
| Cash Flows From Capital And Related Financing Activities | | | | |
| Acquisitions and construction of capital assets | (13,670) | - | (27,500) | (41,170) |
| Principal paid on long-term debt | (32,438) | (29,310) | - | (61,748) |
| Interest paid on long-term debt | (3,773) | (2,770) | - | (6,543) |
| Net cash used by capital and related financing activities | <u>(49,881)</u> | <u>(32,080)</u> | <u>(27,500)</u> | <u>(109,461)</u> |
| Cash Flows From Investing Activities | | | | |
| Purchases of investments | (581) | (64) | - | (645) |
| Investment income | 581 | 235 | 31 | 847 |
| Net Cash Provided by Noncapital Financing Activities | <u>-</u> | <u>171</u> | <u>31</u> | <u>202</u> |
| Net Change in Cash | - | 118,776 | (1,938) | 116,838 |
| Cash and cash equivalents, Beginning | - | 161,340 | 99,701 | 261,041 |
| Cash and cash equivalents, ending | <u>\$ -</u> | <u>\$ 280,116</u> | <u>\$ 97,763</u> | <u>\$ 377,879</u> |
| Unrestricted Cash and Cash Equivalents | - | 280,116 | 97,763 | 377,879 |
| Total Cash and Cash Equivalents | <u>\$ -</u> | <u>\$ 280,116</u> | <u>\$ 97,763</u> | <u>\$ 377,879</u> |
| Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities | | | | |
| Net Operating Income | \$ (32,622) | \$ 123,245 | \$ (24,406) | \$ 66,217 |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities | | | | |
| Depreciation expense | 38,475 | 96,167 | 31,822 | 166,464 |
| Changes in current assets and liabilities | | | | |
| Accounts receivable | 3,951 | (4,903) | (373) | (1,325) |
| Accounts payable | (1,698) | (35) | 238 | (1,495) |
| Net Cash Provided by Operating Activities | <u>\$ 8,106</u> | <u>\$ 214,474</u> | <u>\$ 7,281</u> | <u>\$ 229,861</u> |

The accompanying notes are an integral part of these financial statements

Town of Flagler, Colorado
Notes to Financial Statements
December 31, 2019

Note 1 Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Flagler, Colorado (the "Town") was incorporated on November 2, 1916 as a statutory town. The Town's major operations include general government; garbage, water and wastewater operations, public works, and parks and recreation.

The Governmental Accounting Standards Board (GASB) is the authoritative body and the Town follows all GASB accounting pronouncements, which provides guidance for determining which governmental activities, organization 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. The Town is not financially accountable for any other organization, nor is the Town a component unit of any other primary governmental entity.

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental and proprietary fund activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the primary government activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the Town, with certain limited exceptions. The comparison of program expenses with program revenue identifies the extent to which each function is self-financing or draws from the general revenue of the Town.

Fund Accounting

During the year the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

The accounts of the Town are organized on the basis of funds each of which is considered a separate accounting entity. In the fund financial statements, the Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial activities except those required to be accounted for in another fund.

The Town's remaining governmental fund is the conservation trust fund which is presented as non-major fund.

Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public be recovered primarily through user charges. The Town reports the following major enterprise funds:

Wastewater Fund – The Wastewater Fund accounts for the costs related to providing wastewater services to the Town.

Water Fund – The Water Fund accounts for the costs related to providing water services to the Town.

Garbage Fund – The Garbage Fund accounts for the costs related to the removal or trash for the Town and the surrounding area.

Measurement Focus and Basis of Accounting

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Town are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Proprietary funds, which include enterprise funds, are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the Town receives value without directly giving value in return, include sales taxes, grants, entitlements and donations. Revenue from sales tax is recognized in the fiscal year for which the taxes are collected by the vendor. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Program revenues consist of revenues that are associated with the governmental services such as licenses, permits and water sales.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Property Taxes

Property taxes attach an enforceable lien on property as of January 1st. Taxes are levied on January 1st and are payable either in one installment on or before April 30th, or in two installments due on or before February 28th and June 15th of each year. The collections and assessments are done by Clear Creek County and are remitted to the Town monthly. Property taxes, which are due to be paid in the next period and representing an enforceable lien at January 1st of the next year, have been recorded as a receivable and a deferred inflow of resources in the year in which they are levied. Property tax revenues are recognized when they are collected by Clear Creek County.

Assets and Liabilities

Cash and cash equivalents- The Town follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, 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 on each fund's average equity balance in total cash. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of 90 days or less at the date of their acquisition for the financial statements including the statement of cash flows.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Substantially all revenues of the enterprise funds originate from charges to the users, and the District has the ability to place liens on the property.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Management has reviewed the collectability of accounts receivable and has determined the collectability of accounts. Accordingly, the Town has determined that no allowance for doubtful accounts is required as the town has the right to put a lien on the property.

Capital assets - are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of more than one year and exceed \$5,000:

| | Estimated Lives |
|-----------------------------------|-----------------|
| Land and water rights | N/A |
| Buildings | 10-50 years |
| Improvements other than buildings | 10-50 years |
| Equipment | 5-20 years |
| Utility systems | N/A |
| Infrastructure | 40 years |

Capital assets are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. Depreciation is computed using the straight-line method over the asset's estimated economic useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets since their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, ("GASB No 42"), establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Town is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Management of the Town has determined that there are no indications of impairment of capital assets as of December 31, 2019.

Long-Term Obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities or enterprise fund type statement of net position. Bond issuance costs are expensed during the current period. Bond premiums and discounts are amortized over the term of the related debt.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances and discounts are reported as other financing sources. The issuance costs related to the debt is reported as an expenditure in the current period.

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

Compensated absences – The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the Town will compensate the employees for the benefits earned. All vacation time earned for the year expires at December 31 of each year, therefore no liability for compensated absences has been recorded.

Deferred outflows of resources- In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is a consumption of net position by the Town that is applicable to a future reporting period. The Town has two item that qualify as a deferred outflow of resources. A deferred outflow of resources related to GASB Statement No. 68 and 75 has been recorded as of December 31, 2019 which consists of four components: 1) contributions subsequent to the measurement date 2) change in proportionate share; 3) change in experience; and 4) change in assumptions.

Deferred inflow of resources- In addition to liabilities, the statement of net position will sometimes report separate sections for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position by the Town that is applicable to a future reporting period. The Town has three items that qualify for reporting as deferred inflows of resources. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected. A deferred inflow related to GASB Statement No. 68 and 75 has been recorded as of December 31, 2019 which consists of four components: 1) change in experience, 2) change in proportionate share, and 3) change in assumptions 4) change in investment earnings.

Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Town utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes

Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable- consists of 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 nonspendable fund balance was \$0 as of December 31, 2019.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the Town to establish Emergency reserves (see Note 4). A reservation of \$20,117 of the General Fund balance has been made in compliance with this requirement. Additionally the Town has \$34,668 restricted for parks and other items related to the conservation trust fund to be used for parks and open space.

Committed- Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees formally removes or changes the specified uses. The Town had a committed fund balance of \$0 as of December 31, 2019.

Assigned– Includes all amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Trustees. As of December 31, 2019, the assigned fund balance was \$0.

Unassigned- consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

The Town has not adopted fund balance policies; therefore, the Town follows the guidance in accordance with GASB 54 and apply resources in the following order: restricted, committed, assigned and unassigned. The Road and Bridge fund had a deficit fund balance at year end.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year-end outstanding balances are reported as due to / due from other funds. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The interfund lending is for the purposes of funding operations. The balances at December 31, 2019 are as follows:

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

| | General | Cons. Trust | Garbage | Water | Wastewater | Total |
|--------------------|-----------------|-------------------|---------------|-------------|-------------|-------------|
| General | \$ - | \$ (4,243) | \$ 824 | \$ - | \$ - | \$ (3,419) |
| Conservation Trust | 4,243 | - | - | - | - | 4,243 |
| Garbage | (824) | - | - | - | - | (824) |
| Water | - | - | - | - | - | - |
| Wastewater | - | - | - | - | - | - |
| Total | <u>\$ 3,419</u> | <u>\$ (4,243)</u> | <u>\$ 824</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The Town Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Town Board or revised by the Town Board.

The Garbage fund, and Wastewater fund had expenditures in excess of budgeted amounts which may be a violation of state budget law.

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

The Town maintains a cash pool that is available for use by all funds. Each fund's portion of the pool is displayed on the combined balance sheet as "Cash and Cash equivalents". As of December 31, 2019, the Town's cash deposits had a carrying balance of \$478,866 with corresponding bank balance of \$483,242 of which \$250,000 is federally insured.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 2 Cash and Investments (Continued)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 equal to 102% of the uninsured deposits. The Town had \$233,242 collateralized under PDPA.

The Colorado Divisions of Banking 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.

A summary of cash and cash equivalents at December 31, 2019 is as follows:

| | |
|---------------------------------|-------------------|
| | <u>2019</u> |
| Cash deposits | \$ 478,866 |
| Total cash and cash equivalents | <u>\$ 478,866</u> |

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the Town's bank deposits were exposed to custodial credit risk.

Investments

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

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States 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 is to hold investments until maturity and mirrors State statute.

At December 31, 2019 the Town had \$221,307 invested in certificates of deposit with High Plains Bank. The Certificates of Deposit has an initial maturity ranging from 12-36. The interest rate on the certificates of deposit at December 31, 2019 ranged from .89% - 1.19%. The certificate of deposits were not rated. The certificates of deposit are presented using amortized cost.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 3 Receivables

| Receivables | Governmental Activities | Business - type Activities | Total |
|---------------------------------------|----------------------------|-------------------------------|------------------|
| Trade accounts receivable | - | 37,360 | 37,360 |
| Less: Allowance for doubtful accounts | - | - | - |
| Total | <u>\$ -</u> | <u>\$ 37,360</u> | <u>\$ 37,360</u> |

Note 4 Capital Assets

A summary of changes to capital assets for 2019 is as follows:

| Governmental Activities | Balance at 12/31/2018 | Additions | Disposals | Balance at 12/31/2019 |
|---|--------------------------|-------------------|-------------|--------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | 75,489 | - | - | 75,489 |
| Construction in Progress | 4,416 | 234,209 | - | 238,625 |
| Total Non-Depreciable Capital Assets | <u>79,905</u> | <u>234,209</u> | <u>-</u> | <u>314,114</u> |
| Depreciable Capital Assets | | | | |
| Buildings and improvements | 700,140 | - | - | 700,140 |
| Infrastructure | 277,818 | - | - | 277,818 |
| Machinery and equipment | 379,708 | - | - | 379,708 |
| Total Depreciable Capital Assets | <u>1,357,666</u> | <u>-</u> | <u>-</u> | <u>1,357,666</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | (156,050) | (1,662) | - | (157,712) |
| Infrastructure | (77,755) | (24,565) | - | (102,320) |
| Machinery and equipment | (278,902) | (26,177) | - | (305,079) |
| Total Accumulated Depreciation | <u>(512,707)</u> | <u>(52,404)</u> | <u>-</u> | <u>(565,111)</u> |
| Net Capital Assets | <u>\$ 924,864</u> | <u>\$ 181,805</u> | <u>\$ -</u> | <u>\$ 1,106,669</u> |
| Depreciation Expense By Function | | | | |
| General Government | | \$ 13,934 | | |
| Public Works | | 37,762 | | |
| Culture, Parks, and Recreation | | 708 | | |
| Total Depreciation Expense | | <u>\$ 52,404</u> | | |

| Business-type Activities | Balance at 12/31/2018 | Additions | Disposals | Balance at 12/31/2019 |
|--------------------------------------|--------------------------|---------------------|-------------|--------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$ 194,862 | \$ - | \$ - | \$ 194,862 |
| Total Non-Depreciable Capital Assets | <u>194,862</u> | <u>-</u> | <u>-</u> | <u>194,862</u> |
| Depreciable Capital Assets | | | | |
| Buildings & Improvements | 132,591 | - | - | 132,591 |
| Sewer system | 1,027,341 | 27,500 | - | 1,054,841 |
| Water sysemt | 2,870,936 | - | - | 2,870,936 |
| Machinery & Equipment | 473,217 | 13,670 | - | 486,887 |
| Total Depreciable Capital Assets | <u>4,504,085</u> | <u>41,170</u> | <u>-</u> | <u>4,545,255</u> |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | (107,443) | (478) | - | (107,921) |
| Sewer system | (442,065) | (26,471) | - | (468,536) |
| Water sysemt | (738,904) | (95,025) | - | (833,929) |
| Machinery & Equipment | (330,950) | (44,490) | - | (375,440) |
| Total Accumulated Depreciation | <u>(1,619,362)</u> | <u>(166,464)</u> | <u>-</u> | <u>(1,785,826)</u> |
| Net Capital Assets | <u>\$ 3,079,585</u> | <u>\$ (125,294)</u> | <u>\$ -</u> | <u>\$ 2,954,291</u> |

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 5 Long-Term Debt

The following is an analysis of changes in long-term debt for the year ended December 31, 2019 for the business-type activities:

| | Balance 12/31/2018 | Additions | Reductions | Balance 12/31/2019 | Amounts Due Within One Year |
|-----------------------------|-----------------------|-------------|------------------|-----------------------|-----------------------------------|
| Garbage Fund | | | | | |
| Lease - Trash Truck | \$ 101,541 | \$ - | \$ 32,438 | \$ 69,103 | \$ 33,827 |
| Water Fund | | | | | |
| Energy Impact Loan | 54,413 | - | 26,543 | 27,870 | 27,870 |
| CWRPDA Loan | 76,084 | - | 2,767 | 73,317 | 2,767 |
| Total Long-term Debt | \$ 232,038 | \$ - | \$ 61,748 | \$ 170,290 | \$ 64,464 |

Water Pollution Control Revolving Fund – Water Fund

In 2015 the Town obtained financing from the Colorado Water Resources and Power Authority (CWRPDA) in the amount of \$652,900. At closing the CWRPDA forgave \$569,900. The funds were used to complete the water project. Interest accrues at 0.00% per annum and is due in semiannual payments in the amount of \$2,767 through November 1, 2046. The Town has pledged the revenue from the operation and use of the water system and other legally available revenue, after the payment of operation and maintenance expenses for the system, for the repayment of the note.

| Year ending December 31, | Principal | Interest | Total |
|-----------------------------|------------------|-------------|------------------|
| 2020 | \$ 2,767 | \$ - | \$ 2,767 |
| 2021 | 2,767 | - | 2,767 |
| 2022 | 2,767 | - | 2,767 |
| 2023 | 2,767 | - | 2,767 |
| 2024 | 2,767 | - | 2,767 |
| 2025-2029 | 13,835 | - | 13,835 |
| 2030-2034 | 13,835 | - | 13,835 |
| 2035-2039 | 13,835 | - | 13,835 |
| 2040-2044 | 13,835 | - | 13,835 |
| 2045-2046 | 4,142 | - | 4,142 |
| Total | \$ 73,317 | \$ - | \$ 73,317 |

Energy Impact Loan

In 2005, the Town entered into a loan agreement with the Colorado Department of Local Affairs for purchase of land with a water well to supplement the water system in the amount of \$300,000. The agreement is for 15 years at 5% with the first payment on September 1, 2006. Below is a schedule of payments.

Town of Flagler, Colorado
Notes to Financial Statements (Continued)
December 31, 2019

Note 5 Long-Term Debt (Continued)

| Year ending December 31, | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2020 | 27,870 | 1,394 | 29,264 |
| Total | <u>\$ 27,870</u> | <u>\$ 1,394</u> | <u>\$ 29,264</u> |

Installment Purchase Agreement

In 2016 the Town entered into an installment purchase agreement with Mercedes-Benze Financial Services for the purchase of a trash truck in the amount of \$162,475. The agreement calls for 20 payments of \$9,053 due quarterly with interest at 4.22%. The agreement is secured by the trash truck. Future minimum payments are as follows:

| Year ending December 31, | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2020 | \$ 33,827 | \$ 2,383 | \$ 36,210 |
| 2021 | 35,276 | 934 | 36,210 |
| Total | <u>\$ 69,103</u> | <u>\$ 3,317</u> | <u>\$ 72,420</u> |

Note 6 Risk Management

Risk Management Insurance Pool

The Town is exposed to various risks of loss related to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks including workers' compensation, employee unemployment, and employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplemental Information

Town of Flagler, Colorado
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------------|--------------------------------------|-------------------|---|
| Revenues | | | |
| Property taxes | \$ 113,384 | \$ 111,089 | \$ (2,295) |
| Specific ownership taxes | 15,500 | 12,799 | (2,701) |
| Other taxes and franchise fees | 248,400 | 289,599 | 41,199 |
| Licenses and permits | 5,000 | - | (5,000) |
| Investment income | 1,800 | 1,387 | (413) |
| Grants | 199,000 | 195,981 | (3,019) |
| Other | 103,350 | 59,695 | (43,655) |
| Transfers in | 64,083 | - | (64,083) |
| Total Revenues | <u>750,517</u> | <u>670,550</u> | <u>(79,967)</u> |
| Expenditures | | | |
| Current | | | |
| General government | 439,212 | 127,418 | 311,794 |
| Public works | 244,553 | 247,961 | (3,408) |
| Culture, parks and recreation | 66,752 | 59,901 | 6,851 |
| County treasurer fees | - | 2,644 | (2,644) |
| Capital outlay | - | 234,209 | (234,209) |
| Transfers Out | - | (9,088) | 9,088 |
| Total Expenditures | <u>750,517</u> | <u>663,045</u> | <u>87,472</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>7,505</u> | <u>\$ 7,505</u> |
| Fund Balance, Beginning | | 225,585 | |
| Fund Balance, End | | <u>\$ 233,090</u> | |

See the accompanying Independent Auditor's report

Other Supplemental Information

Town of Flagler, Colorado
Budgetary Comparison Schedule
Conservation Trust Fund
For the Year Ended December 31, 2019

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-------------------------------|--|------------------|---|
| Revenues | | | |
| Intergovernmental | \$ 6,500 | \$ 6,289 | \$ (211) |
| Investment income | 8 | 34 | 26 |
| Total Revenues | <u>6,508</u> | <u>6,323</u> | <u>(185)</u> |
| Expenditures | | | |
| Culture, parks and recreation | <u>6,000</u> | - | <u>6,000</u> |
| Total Expenditures | <u>6,000</u> | <u>-</u> | <u>6,000</u> |
| Net Change in Fund Balance | <u>\$ 508</u> | 6,323 | <u>\$ 5,815</u> |
| Fund Balance, Beginning | | <u>28,345</u> | |
| Fund Balance, Ending | | <u>\$ 34,668</u> | |

See the accompanying Independent Auditor's report

Town of Flagler, Colorado
Budgetary Comparison Schedule
Garbage Fund
For the Year Ended December 31, 2019

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|--------------------------------------|----------------|---|
| Revenues | | | |
| Charges for services | \$ 163,500 | \$ 148,492 | \$ (15,008) |
| Investment income | 200 | 581 | 381 |
| Transfers in | - | 40,951 | 40,951 |
| Total Revenues | <u>163,700</u> | <u>190,024</u> | <u>26,324</u> |
| Expenditures | | | |
| Current | | | |
| General and Administrative | 6,511 | 6,438 | 73 |
| Operations | 111,086 | 136,201 | (25,115) |
| Debt service | 27,899 | 36,211 | (8,312) |
| Capital outlay | 18,204 | 13,670 | 4,534 |
| Total Expenditures | <u>163,700</u> | <u>192,520</u> | <u>(28,820)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>(2,496)</u> | <u>\$ (2,496)</u> |

Reconciliation to Change in Net Position

| | |
|----------------------------------|------------------------|
| Less Depreciation expense | (38,475) |
| Add: Capital outlay | 13,670 |
| Principal paid on long-term debt | 32,438 |
| Change in Net Position | <u><u>\$ 5,137</u></u> |

See the accompanying Independent Auditor's report

Town of Flagler, Colorado
Budgetary Comparison Schedule
Water Fund
For the Year Ended December 31, 2019

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|--------------------------------------|----------------|---|
| Revenues | | | |
| Charges for services | \$ 187,500 | \$ 278,508 | \$ 91,008 |
| Investment income | 150 | 235 | 85 |
| Connection fees | 7,500 | - | (7,500) |
| Other | 28,278 | 26,851 | (1,427) |
| Total Revenues | <u>223,428</u> | <u>305,594</u> | <u>82,166</u> |
| Expenditures | | | |
| Current | | | |
| General and Administrative | 6,438 | 6,438 | - |
| Operations | 122,260 | 79,509 | 42,751 |
| Debt service | 30,647 | 32,080 | (1,433) |
| Transfers | 64,083 | 63,789 | 294 |
| Total Expenditures | <u>223,428</u> | <u>181,816</u> | <u>41,612</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>123,778</u> | <u>\$ 123,778</u> |

Reconciliation to Change in Net Position

| | |
|----------------------------------|-------------------------|
| Less Depreciation expense | (96,167) |
| Principal paid on long-term debt | 29,310 |
| Change in Net Position | <u><u>\$ 56,921</u></u> |

See the accompanying Independent Auditor's report

Town of Flagler, Colorado
Budgetary Comparison Schedule
Wastewater Fund
For the Year Ended December 31, 2019

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------------------------|-------------------|---|
| Revenues | | | |
| Charges for services | \$ 72,000 | \$ 73,536 | \$ 1,536 |
| Investment income | 5 | 31 | 26 |
| Connection fees | 7,500 | 4,500 | (3,000) |
| Transfers | - | 13,750 | 13,750 |
| Total Revenues | 79,505 | 91,817 | 12,312 |
| Expenditures | | | |
| Current | | | |
| General and Administrative | 6,438 | 6,438 | - |
| Operations | 65,567 | 59,682 | 5,885 |
| Capital outlay | 7,500 | 27,500 | (20,000) |
| Total Expenditures | 79,505 | 93,620 | (14,115) |
| Net Change in Fund Balance | \$ - | (1,803) | \$ (1,803) |
| Reconciliation to Change in Net Position | | | |
| Less Depreciation expense | | (31,822) | |
| Add: Capital outlay | | 27,500 | |
| Change in Net Position | | \$ (6,125) | |

See the accompanying Independent Auditor's report

Special Reports

ANNUAL HIGHWAY FINANCE REPORT - CY19

Email address:

City/County:

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

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

SubTotal: \$

B. Private Contributions \$

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments \$

b. Other Local Imposts

1. Sales Taxes:

\$ 75,000.00

2. Infrastructure and Impact Fees:

\$ 22,527.00

3. Liens:

\$

4. Licenses:

\$

5. Specific Ownership and/or Other:

\$

Total: (a + b) carried to 'Other local impost' above

\$ 97,527.00

A.4. Miscellaneous local receipts

Please no commas or dollar signs for the input

a. Interest on Investments:

\$

b. Traffic fines & Penalties:

\$

c. Parking Garage Fees:

\$

d. Parking Meter Fees:

\$

e. Sale of Surplus Property:

\$

f. Charges for Services:

\$

g. Other Misc. Receipts:

\$

h. Other:

\$

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

\$

C. Receipts from State Government

Please no commas or dollar signs for the input

1. Highway User Taxes:

\$ 45,268.00

3. Other State funds:

c. Motor Vehicle Registrations:

\$

d. Other (Specify):

Comments:

\$

e. Other (Specify):

\$

Comments:

Total: (1+3c,d,e) \$ 45,268.00

D. Receipts from Federal Government

Please no commas or dollar signs for the input

2. Other Federal Agencies

a. Forest Service:

\$

b. FEMA:

\$

c. HUD:

\$

d. Federal Transit Administration:

\$

e. U.S. Corp of Engineers

\$

f. Other Federal:

\$

Total: (2a-f) \$

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: (from A.1.d. 'Total Capital Outlay' below)

\$

2. Maintenance:

\$ 223,826.00

3. Road and street services

a. Traffic control operations:

\$

b. Snow and ice removal:

\$

c. Other:

\$ 18,898.00

4. General administration & miscellaneous

\$ 7,731.00

5. Highway law enforcement and safety

\$

Total: (A.1-5) \$ 250,455.00

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds

a. Interest

\$

b. Redemption

\$

2. Notes

a. Interest

\$

b. Redemption

\$

SubTotal: (1+2) \$

Please no commas or dollar signs for the input

C. Payments to State for Highways:

\$

D. Payments to Toll Facilities:

\$

Total Disbursements: (A+B+C+D) \$ 250,455.00

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

| | A. ON NATIONAL HIGHWAY SYSTEM | B. OFF NATIONAL HIGHWAY SYSTEM | C. TOTAL |
|--|-------------------------------------|---|----------|
|--|-------------------------------------|---|----------|

A.1. Capital Outlay

a. Right-Of-Way Costs:

\$

\$

\$

b. Engineering Costs:

\$

\$

\$

c. Construction

1. New Facilities:

\$

\$

\$

2. Capacity Improvements:

\$

\$

\$

3. System Preservation:

\$

\$

\$

4. System Enhancement:

\$

\$

\$

5. Total Construction:

\$

d. Total Capital Outlay: (Lines A.1.a. + 1.b. + 1.c.5)

\$

IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

| | OPENING DEBT | AMOUNT ISSUED | REDEMPTIONS | CLOSING DEBT |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| A. Bonds (Total) | \$ <input type="text"/> | \$ <input type="text"/> | \$ <input type="text"/> | \$ <input type="text"/> |
| 1. Bonds (Refunding Portion) | | \$ <input type="text"/> | \$ <input type="text"/> | \$ <input type="text"/> |
| B. Notes (Total): | \$ <input type="text"/> | \$ <input type="text"/> | \$ <input type="text"/> | \$ <input type="text"/> |

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

| A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|-------------------------|-------------------|------------------------|-------------------------|-------------------------|
| \$ <input type="text"/> | \$ 250,455.00 | \$ 250,455.00 | \$ <input type="text"/> | \$ <input type="text"/> |

Notes & Comments:

Please enter your name:

Doris King

Please provide a telephone number where you may be reached:

719-765-4571