TOWN OF RED CLIFF, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2025

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

FINANCIAL SECTION

PROSPECTIVE BUSINESS SOLUTIONS, LLC
Certified Public Accountants
Auditing, Accounting, and Consulting Services for Governments and Nonprofit Organizations

Honorable Mayor and Members of the Board of Trustees
Town of Red Cliff
Red Cliff, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Red Cliff (the "Town"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2025 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(720) 535-9088
(720) 217-6601
uli@prospective-business-solutions.com
prospective-business-solutions.com
26 West Dry Creek Circle
Suite 600
Littleton, CO 80120

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

• exercise professional judgment and maintain professional skepticism throughout the audit.

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

• obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.

• evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

• conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual fund schedules and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the local highway finance report are fairly stated in all material respects in relation to the financial statements as a whole.

PB Solutions LLC

Littleton, Colorado
June 4, 2026

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

As Management of the Town of Red Cliff, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2025.

Financial Highlights

- The assets of the Town exceeded their liabilities and deferred inflows of resources at the close of the 2025 fiscal year by $4,574,126 (Net Position). The largest portion of the Town's total net position reflects its' investment in capital assets of $3,815,791 (83.4%). Over time Net Position may serve as a useful indicator of a government's financial position.
- The Town's total Net Position decreased by $136,975 for 2025 coming from a decrease of $19,653 (excluding an error correction) from the Town's government funds and a decrease of $117,322 from the Town's proprietary fund.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balances of $607,820, an increase of $30,470 from the prior year
- At the end of the fiscal year, the unassigned fund balance for the general fund was $547,946, a decrease of $9,277.
- The Town's total long-term liabilities decreased by $9,824 during the fiscal year. The balance at the end of the fiscal year was $399,453.
- During the fiscal year ended December 31, 2025, the Town recorded an error correction to the beginning fund balance of the General Fund, decreasing the beginning fund balance by $40,582. More information can be found in footnote 9 of the financial statements.

Town Highlights

General Fund. The Town continued to maintain a conservative approach to spending during 2025 while advancing several long-term infrastructure, planning, and community development initiatives. Efforts to align employee compensation with regional trends in the Eagle River Valley continued in order to support recruitment, retention, and operational stability.

The Streetscape Project remained one of the Town's highest infrastructure priorities throughout 2025. Although full construction funding has not yet been secured, Town staff continued pursuing phased implementation strategies and smaller sub-project funding opportunities focused on drainage, roadway, pedestrian safety, and utility improvements. Preliminary engineering, planning coordination, and outreach efforts continued as the Town worked to position future phases of the project for grant competitiveness and long-term implementation. Addressing aging and deteriorating infrastructure remains a primary focus of the project.

The Town also continued work on updating the Comprehensive Plan, representing the first substantial revision since 2006. Community outreach and planning efforts focused on future land use, housing, parking, zoning alignment, economic sustainability, and preservation of community character. Staff additionally continued evaluating updates to portions of the development code, including zoning districts, parking standards, and development review procedures, to better align existing regulations with future community goals and anticipated growth.

Historic preservation remained a major focus during 2025. The Red Cliff Old Town Hall and Firehouse project continued to advance following its inclusion on Colorado's Most Endangered Places list. The Town continued coordinating with project partners, pursuing grant opportunities, and conducting fundraising and outreach efforts intended to preserve and restore the structure as an important civic, cultural, and historical asset for both the Town and Eagle County.

The Town also continued investing in operational and maintenance improvements, including ongoing fleet and equipment upgrades for the Public Works Department. In partnership with the Colorado Tourism Office and regional stakeholders, the Town continued promoting responsible recreation, sustainable tourism, and visitor management strategies within Red Cliff and surrounding public lands.

Enterprise Fund. The Town continued to provide high-quality water service and reliable wastewater treatment operations throughout 2025. Conservative fiscal management and continued operations support from Water Quality Control Professionals helped maintain stable utility operations and controlled operating costs. The reduced monthly water base rate remained in place through 2025 while the Town continued meeting operational, maintenance, and reserve obligations.

During 2025, the Enterprise Fund completed capital improvements related to the water system, including the purchase and installation of a water tank mixer to improve water quality, circulation, and system efficiency within the Town's storage infrastructure. The Town continues to prioritize proactive maintenance and operational reliability for its utility systems.

Reserve funds continued to be maintained for future infrastructure improvements, emergency repairs, and USDA bond reserve requirements. The Town's USDA Water Treatment Facility bonds, extending through 2052, remain at favorable low interest rates and are not anticipated to be paid off early. The Town remains focused on long-term infrastructure planning, operational efficiency, and maintaining reliable utility services for residents and businesses.

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

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

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

The *Statement of Activities* presents information showing how the Town's Net Position changed during the most recent fiscal year.

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

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

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

Government-wide Financial Analysis

Net Position	**Governmental Activities**		**Business-type Activities**		**Total**	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Assets:						
Current and other assets	$988,470	$931,389	$182,954	$148,671	$1,171,424	$1,080,060
Capital assets, net	709,369	758,377	3,492,631	3,648,337	4,202,000	4,406,714
Total Assets	1,697,839	1,689,766	3,675,585	3,797,008	5,373,424	5,486,774
Liabilities:						
Other Liabilities	393,894	325,586	30,199	23,130	424,093	348,716
Long-term liabilities	0	0	375,205	386,375	375,205	386,375
Total Liabilities	393,894	325,586	405,404	409,505	799,298	735,091
Net Position:						
Net Investment in Capital Assets	709,369	758,377	3,106,422	3,251,189	3,815,791	4,009,566
Restricted	58,032	56,085	0	0	58,032	56,085
Unrestricted	536,544	549,718	163,759	136,314	700,303	686,032
Total Net Position	$1,303,945	$1,364,180	$3,270,181	$3,387,503	$4,574,126	$4,751,683

Over time, Net Position may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities and deferred outflow of resources by $4,574,126 at the close of 2025. The largest portion of the Town's total assets reflects its investment in capital assets.

Change in Net Position	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues:						
Charges for Services	$31,300	$34,050	$294,098	$294,216	$325,398	$328,266
Taxes	377,936	449,247	0	0	377,936	449,247
Licenses, fees and permits	14,489	8,276	0	0	14,489	8,276
Intergovernmental	20,679	33,079	0	0	20,679	33,079
Earnings on Investments	19,464	21,028	6,649	7,570	26.113	28,598
Sale of Assets/Tap Fees	36,000	0	20,000	0	56,000	36,000
Miscellaneous	14,831	0	1,833	0	16,664	0
Total	514,699	545,680	322,580	301,786	837,279	847,466
Expenditures:						
General Government	530,806	523,123	0	0	530,806	523,123
Public Works	73,723	67,968	0	0	73,723	67,968
Interest Expense	0	0	7,940	8,552	7,940	8,552
Water and Wastewater Operations	0	0	165,255	165,683	165,255	165,683
Capital Outlay	29,935	0	0	0	29,935	0
Depreciation and Amortization	0	0	166,595	169,458	166,595	169,458
Transfers	-100,112	-110,239	100,112	110,239	0	0
Total	534,352	480,852	439,902	453,932	974,254	934,784
Change in Net Position	-19,653	64,828	-117,322	-152,146	-136,975	-87,318
Net Position – Beginning	$ 1,364,180	$ 1,299,352	$ 3,387,503	$ 3,539,649	$4,751,683	$4,839,001
Error Correction	-40,582				-40,582	
Net Position – Ending	$ 1,303,945	$ 1,364,180	$ 3,270,181	$ 3,387,503	$4,574,126	$4,751,683

The Town's total Net Position decreased by $177,557 in 2025, including an error correction of $40,582.

Financial Analysis of the Government's Funds

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

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

Budget Comparisons and Economic Factors

- Revenues in the General fund were higher than anticipated for 2025 by $3,613.
- Expenditures in the General fund were lower than anticipated for 2025 by $6,889.
- Revenues in the Enterprise fund were lower than anticipated by $4,065 for 2025.
- Expenditures in the Enterprise fund were lower than anticipated by $6,957 for 2025.
- The Town is hopeful that for 2026, taxes, permits, licenses and other revenues will stay consistent overall with additional residents joining 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Red Cliff, P.O. Box 40, Red Cliff, Colorado, 81649

BASIC FINANCIAL STATEMENTS

TOWN OF RED CLIFF, COLORADO

STATEMENT OF NET POSITION
December 31, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	$ 616,600	$ 45,260	$ 661,860
Restricted Cash and Investments	44,032	126,874	170,906
Interfund Balances	18,424	(18,424)	-
Receivables			
Property Taxes	295,304	-	295,304
Sales Taxes and Other	12,268	-	12,268
Accounts	-	28,320	28,320
Prepaid Expenses	1,842	924	2,766
Capital Assets, Not Depreciated	450,810	-	450,810
Capital Assets, Depreciated,			
Net of Accumulated Depreciation	258,559	3,492,631	3,751,190
TOTAL ASSETS	1,697,839	3,675,585	5,373,424
LIABILITIES			
Accrued Expenses	40,466	19,195	59,661
Accrued Salaries and Benefits	21,390	-	21,390
Deposits	23,490	-	23,490
Noncurrent Liabilities			
Due Within One Year	-	11,004	11,004
Due in More Than One Year	-	375,205	375,205
Compensated Absences	13,244	-	13,244
TOTAL LIABILITIES	98,590	405,404	503,994
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	295,304	-	295,304
TOTAL DEFERRED INFLOWS OF RESOURCES	295,304	-	295,304
NET POSITION			
Net Investment in Capital Assets	709,369	3,106,422	3,815,791
Restricted	58,032	-	58,032
Unrestricted	536,544	163,759	700,303
TOTAL NET POSITION	$ 1,303,945	$ 3,270,181	$ 4,574,126

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: TOTALS
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	$ 530,806	$ 45,789	$ 20,679	$ -	$ (464,338)	$ -	$ (464,338)
Public Works	73,723	-	-	-	(73,723)	-	(73,723)
Total Governmental Activities	604,529	45,789	20,679	-	(538,061)	-	(538,061)
Business-Type Activities							
Water and Sanitation	331,850	295,931	-	20,000	-	(15,919)	(15,919)
Interest and Fiscal Charges	7,940	-	-	-	-	(7,940)	(7,940)
Total Business-Type Activities	339,790	295,931	-	20,000	-	(23,859)	(23,859)
		GENERAL REVENUES					
		Property Taxes			267,414	-	267,414
		Specific Ownership Taxes			13,322	-	13,322
		Sales and Use Taxes			84,398	-	84,398
		Other Taxes			12,802	-	12,802
		Other Revenues			20,896	-	20,896
		Earnings on Investments			19,464	6,649	26,113
		Transfers			100,112	(100,112)	-
		TOTAL GENERAL REVENUES			518,408	(93,463)	424,945
		CHANGES IN NET POSITION			(19,653)	(117,322)	(136,975)
		NET POSITION, Beginning, as previously reported			1,364,180	3,387,503	4,751,683
		Error Correction			(40,582)	-	(40,582)
		NET POSITION, Beginning, as restated			1,323,598	3,387,503	4,711,101
		NET POSITION, Ending			$ 1,303,945	$ 3,270,181	$ 4,574,126

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	$ 616,600	$ -	$ 616,600
Restricted Cash and Investments	-	44,032	44,032
Taxes Receivable	295,304	-	295,304
Due from Other Funds	18,424	-	18,424
Accounts Receivable	12,268	-	12,268
Prepaid Expenses	1,842	-	1,842
TOTAL ASSETS	$ 944,438	$ 44,032	$ 988,470
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	$ 40,466	$ -	$ 40,466
Accrued Salaries and Benefits	21,390	-	21,390
Deposits	23,490	-	23,490
TOTAL LIABILITIES	85,346	-	85,346
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenues	295,304	-	295,304
FUND BALANCES			
Nonspendable	1,842	-	1,842
Restricted	14,000	44,032	58,032
Unassigned	547,946	-	547,946
TOTAL FUND BALANCES	563,788	44,032	607,820
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 944,438	$ 44,032	$ 988,470

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

TOWN OF RED CLIFF, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended December 31, 2025

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

Total fund balances of governmental funds			$ 607,820
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
	Capital Assets, Not Depreciated	450,810	
	Capital Assets, Depreciated	754,749	
	Accumulated Depreciation	(496,190)	709,369
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.			
	Compensated Absences		(13,244)
Net position of governmental activities			$ 1,303,945

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	$ 267,414	$ -	$ 267,414
Specific Ownership Taxes	13,322	-	13,322
Sales and Use Taxes	84,398	-	84,398
Other Taxes	12,802	-	12,802
Intergovernmental Revenue	17,732	2,947	20,679
Licenses and Fees	14,489	-	14,489
Charges for Services	31,300	-	31,300
Earnings on Investments	19,464	-	19,464
Sale of Assets	36,000	-	36,000
Miscellaneous	14,831	-	14,831
TOTAL REVENUES	511,752	2,947	514,699
EXPENDITURES			
Current			
General Government	515,056	-	515,056
Public Works	54,409	-	54,409
Capital Outlay	14,876	-	14,876
TOTAL EXPENDITURES	584,341	-	584,341
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(72,589)	2,947	(69,642)
OTHER FINANCING SOURCES (USES)			
Transfer In	100,112	-	100,112
TOTAL OTHER FINANCING SOURCES (USES)	100,112	-	100,112
CHANGE IN FUND BALANCES	27,523	2,947	30,470
FUND BALANCES, Beginning, as previously reported	576,847	41,085	617,932
Error Correction	(40,582)	-	(40,582)
FUND BALANCES, Beginning, as restated	536,265	41,085	577,350
FUND BALANCES, Ending	$ 563,788	$ 44,032	$ 607,820

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

TOWN OF RED CLIFF, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2025

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

Net change in fund balances - total governmental funds			$ 30,470
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.			
	Capital Outlay	14,876	
	Depreciation	(33,949)	
	Loss on Disposal of Capital Assets	(29,935)	(49,008)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.			
	Changes in Compensated Absences		(1,115)
Change in net position of governmental activities			$ (19,653)

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
December 31, 2025

ASSETS	
Current Assets	
Cash and Investments	$ 45,260
Restricted Cash and Investments	126,874
Accounts Receivable	28,320
Prepaid Expenses	924
Total Current Assets	201,378
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	3,492,631
Total Noncurrent Assets	3,492,631
TOTAL ASSETS	3,694,009
LIABILITIES	
Current Liabilities	
Accrued Expenses	19,195
Due to Other Funds	18,424
Accrued Interest Payable	-
Bonds Payable, Current Portion	11,004
Total Current Liabilities	48,623
Noncurrent Liabilities	
USDA Revenue Bonds Payable	375,205
Total Noncurrent Liabilities	375,205
NET POSITION	
Net Investment in Capital Assets	3,106,422
Unrestricted	163,759
TOTAL NET POSITION	$ 3,270,181

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2025

OPERATING REVENUES	
Charges for Services	$ 294,098
Miscellaneous	1,833
TOTAL OPERATING REVENUES	295,931
OPERATING EXPENSES	
Water Operations	62,172
Wastewater Operations	72,295
General and Administrative	30,788
Depreciation	166,595
TOTAL OPERATING EXPENSES	331,850
NET OPERATING INCOME (LOSS)	(35,919)
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	6,649
Interest Expense	(7,940)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,291)
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(37,210)
Capital Contributions - Tap Fees	20,000
Transfer Out	(100,112)
CHANGE IN NET POSITION	(117,322)
NET POSITION, Beginning	3,387,503
NET POSITION, Ending	$ 3,270,181

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended December 31, 2025
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 292,840
Cash Paid to Suppliers and Employees	(157,911)
Net Cash Provided by Operating Activities	134,929
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Payments to/from Other Funds	(150,340)
Net Cash Used by Noncapital Financing Activities	(150,340)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(10,889)
Principal Payments on Long Term Debt	(10,939)
Interest Payments	(8,332)
Tap Fees and Capital Contributions	20,000
Net Cash Used by Capital Financing Activities	(10,160)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	6,649
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(18,922)
CASH AND CASH EQUIVALENTS, Beginning	191,056
CASH AND CASH EQUIVALENTS, Ending	$ 172,134
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (35,919)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	166,595
Changes in Assets and Liabilities	
Accounts Receivable	(3,091)
Prepaid Expenses	114
Accrued Expenses	7,230
Total Adjustments	170,848
Net Cash Provided by Operating Activities	$ 134,929

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

NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

The financial reporting entity consists of the Town and organizations for which the Town is financially accountable. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Town. In addition, any legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Town.

Based upon the application of these criteria, no additional organizations are includable within the Town's reporting entity.

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or 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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.* Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

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

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

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

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

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

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

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

The Town reports the following major proprietary fund:

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

Assets, Liabilities, and Fund Balance/Net Position

Deposits and Investments – For purposes of the statement of cash flows, the Town considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings	20 years
Water and Sewer Systems and Improvements	14 to 40 years
Machinery and Equipment	5 to 15 years
Infrastructure	15 years

Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure.

Accrued Salaries and Benefits –The salaries and benefits earned, but unpaid, as of December 31, 2025, were $21,390.

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

Assets, Liabilities, and Fund Balance/Net Position (Continued)

Vacation, Sick Leave, and Other Compensated Absences – Town employees are entitled to certain compensated absences based on their length of employment and are allowed to accumulate unused absences. Employees are not limited to the amount of accumulated leave that can be carried to the next fiscal year. Upon termination of employment, employees are entitled to receive compensation for unused vacation days at the employees' current salary rate. These compensated absences are recognized when paid in the General Fund. A long-term liability in the amount of $13,244 has been recorded in the government-wide financial statements for the accrued compensated absences.

Deferred Outflows and Deferred Inflows of Resources – In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

Property Taxes – Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent, and penalties and interest may be assessed by the County Treasurer on the postmark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied.

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

Assets, Liabilities, and Fund Balance/Net Position (Continued)

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

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

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

<u>Unrestricted Net Position</u> represents assets that do not have any third-party limitation on their use. While Town management may have categorized and segmented portions for various purposes, the Town Board has the unrestricted right to revisit or alter these managerial decisions.

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

- <u>Nonspendable</u> – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Town reports prepaid expenses as nonspendable at December 31, 2025.

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

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

- <u>Assigned</u> – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The Town does not report any balances as assigned.

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

Assets, Liabilities, and Fund Balance/Net Position (Continued)

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

The Town has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Town uses restricted fund balances first, followed by committed, assigned, and unassigned fund balances.

Risk Management

Public Entity Risk Pool

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. For these risks of loss, the Town participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes, and the Colorado Constitution, Article XIV, Section 18(2).

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

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

Subsequent Events

The Town has evaluated events subsequent to the year ended December 31, 2025 through June 4, 2026, the date these financial statements were available to be issued and has incorporated any required recognition into these financial statements.

NOTE 2: *STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All appropriations lapse at fiscal year-end.

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

- In October, the Town Staff submits to the Board of Trustees a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Trustees to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgetary comparison schedule presented for the Water and Sanitation Enterprise Fund is presented on a non-GAAP budgetary basis. Capital outlay and debt principal payments are budgeted as expenditures. Depreciation expense is not budgeted.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or amended by the Board of Trustees.

NOTE 3: *CASH AND INVESTMENTS*

Deposits	$ 140,033
Investments	692,733
Total	$ 832,766

The above amounts are classified in the statement of net position as follows:

Cash and Investments - Unrestricted	661,860
Cash and Investments - Restricted	170,906
Total	$ 832,766

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

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. On December 31, 2025, State regulatory commissioners have indicated that all financial institutions holding deposits for the Town are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Town has no policy regarding custodial credit risk for deposits.

On December 31, 2025, the Town had deposits with financial institutions with a carrying amount of $140,033. The bank balances with the financial institutions were $166,006. All of these balances were covered by federal depository insurance.

Investments

Interest Rate Risk

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

Credit Risk

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

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- 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

NOTE 3: ***<u>CASH AND INVESTMENTS</u>*** (Continued)

Investments (Continued)

<u>Local Government Investment Pools</u>

The Town had invested $692,733 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00 (net asset value). Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

Restricted Cash

On December 31, 2025, cash in the amount of $44,032 is restricted in the Conservation Trust Fund for park and recreation expenditures. In addition, $126,874 is restricted in the Proprietary Fund to comply with debt service requirements.

NOTE 4: ***CAPITAL ASSETS***

Capital assets activity for the year ended December 31, 2025, is summarized below:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Governmental Activities				
Capital Assets, Not Depreciated				
Land	$ 85,431	$ -	$ -	$ 85,431
Construction in Progress	364,048	1,331	-	365,379
Total Capital Assets, Not Depreciated	449,479	1,331	-	450,810
Capital Asset, Being Depreciated				
Buildings and Improvements	153,384	-	-	153,384
Machinery and Equipment	364,562	13,545	49,891	328,216
Infrastructure	273,149	-	-	273,149
Total Capital Assets, Being Depreciated	791,095	13,545	49,891	754,749
Accumulated Depreciation				
Buildings and Improvements	95,484	2,063	-	97,547
Machinery and Equipment	248,207	19,314	19,956	247,565
Infrastructure	138,506	12,572	-	151,078
Total Accumulated Depreciation	482,197	33,949	19,956	496,190
Capital Assets, Depreciated, Net	308,898	(20,404)	29,935	258,559
Net Capital Assets	$ 758,377	$ (19,073)	$ 29,935	$ 709,369

Depreciation expense in the amount of $14,635 and $19,314 was charged to the General Government Program and Public Works Program, respectively.

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

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Business-Type Activities				
Capital Asset, Being Depreciated				
Sewer System	$ 4,804,071	$ -	$ -	$ 4,804,071
Water Treatment Plant	1,273,405	-	-	1,273,405
Water Distribution System	273,311	-	-	273,311
Microfiltration System	577,715	-	-	577,715
Machinery and Equipment	109,326	10,889	-	120,215
Total Capital Assets, Being Depreciated	7,037,828	10,889	-	7,048,717
Accumulated Depreciation				
Sewer System	1,821,120	120,393	-	1,941,513
Water Treatment Plant	1,052,144	16,444	-	1,068,588
Water Distribution System	86,687	8,239	-	94,926
Microfiltration System	327,141	14,443	-	341,584
Machinery and Equipment	102,399	7,076	-	109,475
Total Accumulated Depreciation	3,389,491	166,595	-	3,556,086
Net Capital Assets	$ 3,648,337	$ (155,706)	$ -	$ 3,492,631

NOTE 5: ***LONG-TERM DEBT***

The following is a summary of the Town’s long-term debt transactions for the year ended December 31, 2025:

Governmental Activities

	12/31/2024 Balance	Increases	Decreases	12/31/2025 Balance	Due Within One Year
Compensated Absences	$ 12,129	$ 1,115	$ -	$ 13,244	$ -

NOTE 5: ***<u>LONG-TERM DEBT</u>*** (Continued)

Business-Type Activities

	12/31/2024 Balance	Increases	Decreases	12/31/2025 Balance	Due Within One Year
USDA Revenue Bonds					
Series 2012-A	$ 195,926	$ -	$ 5,212	$ 190,714	$ 5,323
Series 2020-B	201,222	-	5,727	195,495	5,681
Total	**$ 397,148**	**$ -**	**$ 10,939**	**$ 386,209**	**$ 11,004**

USDA Revenue Bonds

In December 2012, the Town issued Water and Wastewater Revenue Refunding Bonds, Series 2012-A and 2012-B in the amount of $250,547 and $267,253, respectively. Proceeds of the 2012-A bonds were used to pay off balances of the 1971 bonds, 1981 bonds, and 1992 bonds. Proceeds of the 2012-B bonds were used to pay off the outstanding principal and interest of the 1998 bonds.

The 2012-A bonds carry an interest rate of 2.125% per annum. Monthly principal and interest payments in the amount of $777 are due beginning in January 2013 through December 2052. The 2012-B bonds carry an interest rate of 2.125% per annum. Monthly principal and interest payments in the amount of $829 are due beginning in January 2013 through December 2052.

The bonds are subject to redemption prior to maturity at the option of the Town, as a whole or portion thereof, on any date, upon payment of par and accrued interest, without redemption premium.

The Town is required to maintain a bond reserve account that may only be used to prevent default on the payment of the principal or interest on the bonds or, upon prior written approval, for emergency maintenance, or for extension to the system.

For the year ended December 31, 2025, the Town has met its reserve requirement. The amount of the reserve is reported as restricted cash and investments in the Town’s proprietary fund.

In addition, the Town is required to collect fees and charges for services that are sufficient to pay operation and maintenance expenses and to create net revenue in the amount: (i) equal to not less than 120% of the amount necessary to pay when due the principal and interest on the bonds coming due during the fiscal year, and (ii) sufficient to make up any deficiencies in the reserve account. For the year ended December 31, 2025, the Town has met this requirement.

NOTE 5: ***LONG-TERM DEBT*** (Continued)

USDA Revenue Bonds (Continued)

The following is a summary of the debt service requirements for the Revenue Bonds:

Year Ended December 31,	Principal	Interest	Total
2026	$ 11,004	$ 8,268	$ 19,272
2027	11,240	8,032	19,272
2028	11,481	7,791	19,272
2029	11,727	7,545	19,272
2030	11,979	7,293	19,272
2031-2035	63,863	33,838	97,701
2036-2040	71,016	26,836	97,852
2041-2045	78,682	19,229	97,911
2046-2050	87,011	11,106	98,117
2051-2052	28,206	3,038	31,244
Total	**$ 386,209**	**$ 132,976**	**$ 519,185**

NOTE 6: ***INTERFUND BALANCES AND TRANSFERS***

At December 31, 2025, the Water and Sanitation Enterprise Fund owed the General Fund $18,424. The amounts owed are due to timing of reimbursement of expenditures paid by the General Fund on behalf of the Water and Sanitation Enterprise Fund.

During the year ended December 31, 2025, the Water and Sanitation Enterprise Fund transferred $100,112 to the General Fund to cover administrative expenses.

NOTE 7: ***DEFINED CONTRIBUTION PLAN***

The Town has established a defined contribution retirement plan for the benefit of its employees. The Town contributes 4% of wages as employer contributions and employees make voluntary contributions up to a maximum of 100% of gross wages. Employees will vest in the retirement plan pro rata monthly at 25% the annual rate (graded vesting).

For the year ended December 31, 2025, the Town contributed $12,364 to the plan.

NOTE 8: <u>COMMITMENTS AND CONTINGENCIES</u>

Land Lease

In June 2007, the Town entered into a land lease agreement with Union Pacific Railroad Company to lease a piece of property for the Town's wastewater treatment plant. The initial agreement called for an annual lease payment of $1,500, with an increase of 3% annually. The lease automatically renews each year unless terminated by either party. During the year ended December 31, 2025, the Town paid $3,116 under the terms of the agreement.

Operating Agreement

In March 2013, the Town entered into an agreement with Water Quality Control Professionals (WQCP) for operations and maintenance services of the Town's water and wastewater treatment and collection system. Under the terms of the agreement, WQCP provides repair, maintenance, and operating services to the Town. WQCP invoices the Town monthly based on an agreed upon rate plus any additional expenses. The monthly rate may be adjusted annually based on the Consumer Price Index. For the year ended December 31, 2025, the Town paid $21,290 to WQCP under the terms of the agreement.

Claims and Judgments

The Town participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of December 31, 2025, significant amounts of grant expenditures have not been audited but the Town believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Town.

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

The Tabor Amendment is complex and subject to judicial interpretations. The Town believes it has complied with the Amendment.

The Town has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. On December 31, 2025, the emergency reserve of $14,000 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

NOTE 9: RESTATEMENT OF BEGINNING BALANCES

During the year ended December 31, 2025, the Town identified an error on its previously issued financial statements. The error is related to overcollection of sales tax revenue. The error has been corrected by restating the beginning fund balance of the General Fund and the beginning net position of the governmental activities in the government-wide statement of activities.

General Fund	
Beginning balance, as previously reported	$ 576,847
Error Correction	(40,582)
Beginning balance, as restated	$ 536,265

Governmental Activities	
Beginning balance, as previously reported	$1,364,180
Error Correction	(40,582)
Beginning balance, as restated	$1,323,598

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RED CLIFF, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Property Taxes	$ 267,922	$ 268,444	$ 267,414	$ (1,030)	$ 278,717
Specific Ownership Taxes	11,000	13,000	13,322	322	12,856
Sales and Use Taxes	98,500	82,250	84,398	2,148	139,279
Other Taxes	13,800	12,300	12,802	502	18,395
Intergovernmental Revenue	11,860	19,345	17,732	(1,613)	29,958
Licenses and Fees	14,700	13,471	14,489	1,018	8,276
Charges for Services	26,600	30,900	31,300	400	34,050
Earnings on Investments	21,000	19,500	19,464	(36)	21,028
Sale of Assets	-	-	36,000	36,000	-
Miscellaneous	-	48,929	14,831	(34,098)	-
TOTAL REVENUES	465,382	508,139	511,752	3,613	542,559
EXPENDITURES					
Current					
General Government					
Salaries	367,671	367,671	383,246	(15,575)	344,656
Professional Services	40,642	40,642	44,879	(4,237)	79,627
General and Administrative	78,925	78,863	63,086	15,777	66,478
Board Stipend	11,040	11,040	10,365	675	8,400
Insurance	12,320	12,320	13,480	(1,160)	10,179
Public Works					
Equipment Repair and Maintenance	27,200	27,200	25,279	1,921	24,962
Building and Grounds	15,000	15,000	14,102	898	7,973
Road and Bridge	6,000	6,000	15,028	(9,028)	8,450
Capital Outlay	2,000	32,494	14,876	17,618	108,631
TOTAL EXPENDITURES	560,798	591,230	584,341	6,889	659,356
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,416)	(83,091)	(72,589)	10,502	(116,797)
OTHER FINANCING SOURCES					
Transfers In	98,469	95,279	100,112	4,833	110,239
TOTAL OTHER FINANCING SOURCES	98,469	95,279	100,112	4,833	110,239
CHANGE IN FUND BALANCE	3,053	12,188	27,523	15,335	(6,558)
FUND BALANCES, Beginning, as previously reported	576,845	576,845	576,847	2	583,405
Error Correction	-	-	(40,582)	(40,582)	-
FUND BALANCES, Beginning, as restated	576,845	576,845	536,265	(40,580)	583,405
FUND BALANCES, Ending	$ 579,898	$ 589,033	$ 563,788	$ (25,245)	$ 576,847

See the accompanying independent auditor's report

INDIVIDUAL FUND SCHEDULES

TOWN OF RED CLIFF, COLORADO

BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Intergovernmental Revenue	$ 3,200	$ 3,200	$ 2,947	$ (253)	$ 3,121
TOTAL REVENUES	3,200	3,200	2,947	(253)	3,121
EXPENDITURES					
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-
CHANGE IN FUND BALANCE	3,200	3,200	2,947	(253)	3,121
FUND BALANCES, Beginning	41,164	41,164	41,085	(79)	37,964
FUND BALANCES, Ending	$ 44,364	$ 44,364	$ 44,032	$ (332)	$ 41,085

See the accompanying independent auditor's report

BUDGETARY COMPARISON SCHEDULE
WATER AND SANITATION ENTERPRISE
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Charges for Services	$ 296,060	$ 320,645	$ 294,098	$ (26,547)	$ 294,216
Tap Fees	-	-	20,000	20,000	-
Interest Revenue	6,000	6,000	6,649	649	7,570
Miscellaneous	-	-	1,833	1,833	-
TOTAL REVENUES	302,060	326,645	322,580	(4,065)	301,786
EXPENDITURES					
Current					
Water Operations	65,498	65,498	62,172	3,326	57,600
Wastewater Operations	68,999	82,836	72,295	10,541	71,505
General and Administrative	24,404	24,404	30,788	(6,384)	36,578
Debt Service	19,288	19,288	18,879	409	19,261
Transfers Out	98,469	98,469	100,112	(1,643)	110,239
Capital Outlay	-	11,597	10,889	708	5,698
TOTAL EXPENDITURES	276,658	302,092	295,135	6,957	300,881
CHANGE IN NET POSITION, Budgetary Basis	25,402	24,553	27,445	2,892	905
Adjustments to GAAP Basis					
Capital Outlay	-	-	10,889	10,889	5,698
Loan Principal Payments	10,700	10,700	10,939	239	10,709
Depreciation	(170,000)	(170,000)	(166,595)	3,405	(169,458)
CHANGE IN NET POSITION, GAAP Basis	(133,898)	(134,747)	(117,322)	17,425	(152,146)
NET POSITION, Beginning	3,387,502	3,387,502	3,387,503	1	3,539,649
NET POSITION, Ending	$ 3,253,604	$ 3,252,755	$ 3,270,181	$ 17,426	$ 3,387,503

See the accompanying independent auditor's report

COMPLIANCE

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

Form Approved
OMB No. 2125-0032

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO YEAR ENDING (mm/yy): 12/25
This Information From The Records Of: TOWN OF RED CLIFF	Prepared By: MELISSA MATTHEWS

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	$ 144,361.00
3. Other local imposts (from page 2)	$ 13,000.00
4. Miscellaneous local receipts (from page 2)	$ 5,500.00
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.)	$ -
7. Total (1 through 6)	$ 162,861.00
B. Private Contributions	
C. Receipts from State government (from page 2)	$ 15,145.00
D. Receipts from Federal Government (from page 2)	$ -
E. Total receipts (A.7 + B + C + D)	$ 178,006.00

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital outlay (from page 2)	$ -
2. Maintenance:	
3. Road and street services:	
a. Traffic control operations	$ -
b. Snow and ice removal	$ 55,136.00
c. Other	$ 73,725.00
d. Total (a. through c.)	$ 128,861.00
4. General administration & miscellaneous	$ 49,145.00
5. Highway law enforcement and safety	
6. Total (1 through 5)	$ 178,006.00
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	$ -
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	$ -
3. Total (1.c + 2.c)	$ -
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total expenditures (A.6 + B.3 + C + D)	$ 178,006.00

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE (RECEIPTS AND DISBURSEMENTS ONLY)

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	$ 178,006.00	$ 178,006.00		$ -

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO YEAR ENDING (mm/yy): 12/25

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 Assesments		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	$ 13,000.00	g. Other Misc. Receipts	$ 5,500.00
6. Total (1. through 5.)	$ 13,000.00	h. Other	
c. Total (a. + b.)	$ 13,000.00	i. Total (a. through h.)	$ 5,500.00
(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 (from Item I.C.5.)	$ 13,845.00	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	$ 1,300.00	d. Federal Transit Administration	
d. DOLA Grant		e. U.S. Corps of Engineers	
e. Other		f. Other Federal ARPA	
f. Total (a. through e.)	$ 1,300.00	g. Total (a. through f.)	$ -
4. Total (1. + 2. + 3.f)	$ 15,145.00	3. Total (1. + 2.g)	$ -
(Carry forward to page 1)		*(Carry forward to page 1)*	

III. EXPENDITURES 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			$ -
b. Engineering Costs			$ -
c. Construction:			
(1). New Facilities			$ -
(2). Capacity Improvements			$ -
(3). System Preservation			$ -
(4). System Enhancement And Operation			$ -
(5). Total Construction (1)+(2)+(3)+(4)	$ -	$ -	$ -
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	$ -	$ -	$ -
(Carry forward to page 1)			

Notes and Comments:

FORM FHWA-536