

TOWN OF RED CLIFF, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2020

TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - iv
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Fund Type	7
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Type	8
Statement of Cash Flows – Proprietary Fund Type	9
Notes to the Financial Statements	10 – 26
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	27
Individual Fund Schedules	
Budgetary Comparison Schedule – Conservation Trust Fund	28
Budgetary Comparison Schedule – Water and Sanitation Enterprise	29

TABLE OF CONTENTS
(continued)

Compliance Section

Local Highway Finance Report

30-31

FINANCIAL SECTION

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

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, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Red Cliff as of December 31, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on page 27 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 30, 2021

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, 2020.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2020 fiscal year by \$4,634,208 (Net Position). The largest portion of the Town's total assets reflects its investment in capital assets of \$4,618,712. Over time Net Position may serve as a useful indicator of a government's financial position.
- The Town's total Net Position decreased by \$51,610 for 2020 coming from an increase of \$72,629 from the Town's government funds and a decrease of \$124,239 from the Town's proprietary fund.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balances of \$338,243, an increase of \$61,648 from prior year.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$301,654 an increase of \$10,305.
- The Town's total long-term debt decreased by \$57,582 during the fiscal year. The balance at the end of the fiscal year was \$480,337.

Town Highlights

General Account. 2020 has been a challenging year with limited retail sales and closed businesses. Many residents had job cuts and limitations on income. The Town has continued to be conservative in spending, this has helped us weather the Pandemic year.

The outlook is positive for the property value assessments in the coming years. The assessments in Eagle County have continued to increase. Additionally, we have had new home sites developed and expect the increase in the number of housing units and values to continue through the next year.

A grant for a project to include upgrading of streets, sidewalks, curb/gutters and stormwater management was awarded. The streetscape project had a start and stall due to the availability of person-to-person outreach and will continue in 2021. An additional award was received to add a segment of High Street where it was found to have drainage issues. An annual savings of \$20,000 was previously committed for the future road and bridge streetscape project. In 2020, we were able to fund this commitment. The savings has also been budgeted for 2021 with an additional \$20,000 budgeted savings from Enterprise account each year.

Enterprise Account. Red Cliff continues to produce the best tasting water for its residents. The wastewater treatment plant functioned well through 2020 with no major problems. New filters for the water plant were ordered for 2021.

Funds have been placed in reserve to offset any upgrades or maintenance necessary. At the end of 2020, the reserve account had \$34,810. \$20,000 minimum is reserved for USDA Bonds.

Our residents have one of the highest water service fees in the state due to debt. In 2020, one of the debts has been paid in full; this was a debt owed to ERWSD to be paid by 2023.

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

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

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

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

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

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

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

Government-wide financial analysis

Net Position	Governmental	Business-type	Total
	Activities	Activities	
	2020	2020	2020
Assets:			
Current and other assets	\$552,900	\$ 180,580	\$ 733,480
Capital assets, net	319,950	4,298,762	4,618,712
Total Assets	<u>872,850</u>	<u>4,479,342</u>	<u>5,352,192</u>
Liabilities:			
Other Liabilities	226,714	10,933	225,590
Long-term liabilities	-	480,337	492,394
Total Liabilities	<u>226,714</u>	<u>491,270</u>	<u>717,984</u>
Net Position:			
Invested in capital assets, Net of related debt	319,950	3,818,425	4,138,375
Restricted	36,589	-	36,589
Unrestricted	289,597	169,647	459,244
Total Net Position	<u>\$ 646,136</u>	<u>\$3,988,072</u>	<u>\$4,634,208</u>

Over time Net Position may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,634,208 at the close of 2020. The largest portion of the Town's total assets reflects its investment in capital assets.

Change in Net Position	Governmental	Business-type	Total
	Activities	Activities	
	2020	2020	2020
Revenues:			
Charges for Services	\$ 26,554	\$ 275,749	\$ 302,303
Taxes	254,774	-	254,774
Licenses and fees	10,782	-	10,782
Intergovernmental	104,469	-	104,469
Earnings on Investments	1,672	1,558	3,230
Miscellaneous	2,772	3,642	6,414
Total	<u>401,023</u>	<u>280,949</u>	<u>681,972</u>
Expenditures:			
General Government	294,802	128,546	423,348
Public Works	38,220	-	38,220
Interest Expense	-	10,726	10,726
Water and Wastewater Operations	-	83,926	83,926
Depreciation and Amortization	-	177,362	177,362
Transfers	4,628	-4,628	-
Total	<u>328,394</u>	<u>405,188</u>	<u>733,582</u>
Change in Net Position	72,629	-124,239	-51,610
Net Position – Beginning	<u>573,507</u>	<u>4,112,311</u>	<u>4,685,818</u>
Net Position – Ending	<u>646,136</u>	<u>3,988,072</u>	<u>4,634,208</u>

The Town's total Net Position decreased by \$51,610 in 2020.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *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.

Capital Asset and Debt Administration

Capital assets. The Town reported depreciation expense in the proprietary fund of \$177,362 at December 31, 2020. This was a decrease of \$3,280 from December 31, 2019.

Long-term debt. The Town made debt payments in the amount of \$68,308 in fiscal year 2020: \$57,582 in Principal and \$10,726 in Interest.

Principal payments of \$47,745 were made to ERWSD and is now Paid in Full.

Principal Payments of \$9,837 were made to USDA.

No Principal payments were made to Eagle County and the outstanding debt is \$41,683.

The current portion (due in 1 year: 2021) of the outstanding long-term debt (\$480,337) is \$9,896.

See Note 5 for more information.

Budget Comparisons and Economic Factors

- Revenues in the General fund were higher than anticipated for 2020 by \$29,369.
- Revenues in the Enterprise fund were higher than anticipated for 2020 by \$4,125.
- Expenditures in the General fund were lower than anticipated by for 2020 by \$51,029.
- Expenditures in the Enterprise fund were lower than anticipated for 2020 by \$48,314.
- The Town is hopeful that for 2021 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, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 265,848	\$ 158,722	\$ 424,570
Restricted Cash and Investments	27,689	\$ 34,810	62,499
Interfund Balances	30,718	(30,718)	-
Receivables			
Property Taxes	176,970	-	176,970
Sales and Other	51,675	-	51,675
Accounts	-	17,766	17,766
Capital Assets, Not Depreciated	135,017	-	135,017
Capital Assets, Depreciated, Net of Accumulated Depreciation	184,933	4,298,762	4,483,695
TOTAL ASSETS	872,850	4,479,342	5,352,192
LIABILITIES			
Accrued Expenses	24,187	7,535	24,187
Accrued Salaries and Benefits	12,500	-	20,035
Unearned Revenue	1,000	-	1,000
Accrued Interest Payable	-	908	908
Deposits	-	2,490	2,490
Noncurrent Liabilities			
Due Within One Year	-	9,896	9,896
Due in More Than One Year	-	470,441	470,441
Compensated Absences	12,057	-	12,057
TOTAL LIABILITIES	49,744	491,270	541,014
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	176,970	-	176,970
TOTAL DEFERRED INFLOWS OF RESOURCES	176,970	-	176,970
NET POSITION			
Net Investment in Capital Assets	319,950	3,818,425	4,138,375
Restricted	36,589	-	36,589
Unrestricted	289,597	169,647	459,244
TOTAL NET POSITION	\$ 646,136	\$ 3,988,072	\$ 4,634,208

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 290,700	\$ 37,336	\$ 15,787	\$ 88,682	\$ (148,895)	\$ -	\$ (148,895)
Public Works	42,322	-	-	-	(42,322)	-	(42,322)
Total Governmental Activities	333,022	37,336	15,787	88,682	(191,217)	-	(191,217)
Business-Type Activities							
Water and Sanitation	389,834	275,749	-	-	-	(114,085)	(114,085)
Interest and Fiscal Charges	10,726	-	-	-	-	(10,726)	(10,726)
Total Business-Type Activities	400,560	275,749	-	-	-	(124,811)	(124,811)
GENERAL REVENUES							
Property Taxes					170,554	-	170,554
Specific Ownership Taxes					8,580	-	8,580
Sales and Use Taxes					66,598	-	66,598
Other Taxes					9,042	-	9,042
Other Revenues					2,772	3,642	6,414
Earnings on Investments					1,672	1,558	3,230
Transfers					4,628	(4,628)	-
TOTAL GENERAL REVENUES					263,846	572	264,418
CHANGE IN NET POSITION					72,629	(124,239)	(51,610)
NET POSITION, Beginning, Restated					573,507	4,112,311	4,685,818
NET POSITION, Ending					\$ 646,136	\$ 3,988,072	\$ 4,634,208

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

TOWN OF RED CLIFF, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	\$ 265,848	\$ -	\$ 265,848
Restricted Cash and Investments	-	27,689	27,689
Taxes Receivable	176,970	-	176,970
Due from Other Funds	30,718	-	30,718
Accounts Receivable	51,675	-	51,675
TOTAL ASSETS	<u>\$ 525,211</u>	<u>\$ 27,689</u>	<u>\$ 552,900</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
LIABILITIES			
Accrued Expenses	\$ 24,187	\$ -	\$ 24,187
Accrued Salaries and Benefits	12,500	-	12,500
Unearned Revenues	1,000	-	1,000
TOTAL LIABILITIES	<u>37,687</u>	<u>-</u>	<u>37,687</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenues	<u>176,970</u>	<u>-</u>	<u>176,970</u>
FUND BALANCES			
Restricted	8,900	27,689	36,589
Unassigned	301,654	-	301,654
TOTAL FUND BALANCES	<u>310,554</u>	<u>27,689</u>	<u>338,243</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 525,211</u>	<u>\$ 27,689</u>	<u>\$ 552,900</u>

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, 2020

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

Total fund balances of governmental funds		\$	338,243
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
	Capital Assets, Not Depreciated		135,017
	Capital Assets, Depreciated		576,278
	Accumulated Depreciation		<u>(391,345)</u>
			319,950
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		<u>(12,057)</u>
Net position of governmental activities		\$	<u>646,136</u>

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	GENERAL FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 170,554	\$ -	\$ 170,554
Specific Ownership Taxes	8,580	-	8,580
Sales and Use Taxes	66,598	-	66,598
Other Taxes	9,042	-	9,042
Intergovernmental Revenue	101,505	2,964	104,469
Licenses and Fees	10,782	-	10,782
Charges for Services	26,554	-	26,554
Earnings on Investments	1,672	-	1,672
Miscellaneous	2,772	-	2,772
TOTAL REVENUES	398,059	2,964	401,023
EXPENDITURES			
Current			
General Government	247,982	-	247,982
Public Works	38,220	-	38,220
Capital Outlay	57,801	-	57,801
TOTAL EXPENDITURES	344,003	-	344,003
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	54,056	2,964	57,020
OTHER FINANCING SOURCES (USES)			
Transfer In	4,628	-	4,628
TOTAL OTHER FINANCING SOURCES (USES)	4,628	-	4,628
CHANGE IN FUND BALANCES	58,684	2,964	61,648
FUND BALANCES, Beginning, Restated	251,870	24,725	276,595
FUND BALANCES, Ending	<u>\$ 310,554</u>	<u>\$ 27,689</u>	<u>\$ 338,243</u>

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, 2020

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

Net change in fund balances - total governmental funds		\$	61,648
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		39,712
	Depreciation		(16,674)
			<u>23,038</u>
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		<u>(12,057)</u>
Change in net position of governmental activities		\$	<u><u>72,629</u></u>

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 December 31, 2020

ASSETS

Current Assets

Cash and Investments	\$ 158,722
Restricted Cash and Investments	34,810
Accounts Receivable	<u>17,766</u>
Total Current Assets	<u>211,298</u>

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation	<u>4,298,762</u>
Total Noncurrent Assets	<u>4,298,762</u>

TOTAL ASSETS	<u>4,510,060</u>
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LIABILITIES

Current Liabilities

Accrued Expenses	7,535
Due to Other Funds	30,718
Deposits	2,490
Accrued Interest Payable	908
Bonds Payable, Current Portion	<u>9,896</u>
Total Current Liabilities	<u>51,547</u>

Noncurrent Liabilities

USDA Revenue Bonds Payable	428,758
Notes Payable	<u>41,683</u>
Total Noncurrent Liabilities	<u>470,441</u>

NET POSITION

Net Investment in Capital Assets	3,818,425
Unrestricted	<u>169,647</u>
TOTAL NET POSITION	<u>\$ 3,988,072</u>

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2020

OPERATING REVENUES	
Charges for Services	\$ 275,749
Other Revenues	<u>3,642</u>
 TOTAL OPERATING REVENUES	 <u>279,391</u>
OPERATING EXPENSES	
Water Operations	49,614
Wastewater Operations	34,312
General and Administrative	128,546
Depreciation	<u>177,362</u>
 TOTAL OPERATING EXPENSES	 <u>389,834</u>
 NET OPERATING INCOME (LOSS)	 <u>(110,443)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	1,558
Interest Expense	<u>(10,726)</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>(9,168)</u>
 INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	 <u>(119,611)</u>
 Transfer Out	 <u>(4,628)</u>
 CHANGE IN NET POSITION	 (124,239)
 NET POSITION, Beginning, Restated	 <u>4,112,311</u>
 NET POSITION, Ending	 <u><u>\$ 3,988,072</u></u>

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

TOWN OF RED CLIFF, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended December 31, 2020
 Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 261,625
Cash Paid to Suppliers and Employees	(204,937)
Net Cash Used by Operating Activities	<u>56,688</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Payments to/from Other Funds	(46,645)
Net Cash Provided by Noncapital Financing Activities	<u>(46,645)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(38,536)
Principal Payments on Long Term Debt	(57,582)
Interest Payments	(10,649)
Tap Fees and Capital Contributions	-
Net Cash Provided by Capital Financing Activities	<u>(106,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>1,558</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(95,166)
CASH AND CASH EQUIVALENTS, Beginning	<u>288,698</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 193,532</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	<u>\$ (110,443)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	177,362
Changes in Assets and Liabilities	
Accounts Receivable	(17,766)
Accounts Payable	-
Accrued Expenses	7,535
Total Adjustments	<u>167,131</u>
Net Cash Used by Operating Activities	<u>\$ 56,688</u>

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

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 System	14-40 years
Machinery and Equipment	5 to 15 years
Infrastructure	15 years

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2020, were \$13,537.

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 when paid in the General Fund. A long-term liability in the amount of \$12,057 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 outflow 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 inflow 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.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 post mark 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.

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

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Town does not report any balances as nonspendable.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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

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

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

- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of 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.

- **Assigned** – 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.

- **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.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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

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 to 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, 2020 through June 30, 2021, 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.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets (Continued)

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 Sewer Enterprise Fund is presented on a non-GAAP budgetary basis. Capital outlay and debt principal payments are budgeted as expenditures. Depreciation expenses 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	\$ 113,462
Investments	<u>374,123</u>
Total	<u>\$ 487,585</u>

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

Cash and Investments - Unrestricted	\$ 425,086
Cash and Investments - Restricted	<u>62,499</u>
	<u>\$ 487,585</u>

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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, 2020, 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, 2020, the Town had deposits with financial institutions with a carrying amount of \$113,462. The bank balances with the financial institutions were \$117,953. 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

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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

Investments (Continued)

Local Government Investment Pools

The Town had invested \$374,123 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

Restricted Cash

On December 31, 2020, cash in the amount of \$27,689 is restricted in the Conservation Trust Fund for park and recreation expenditures. In addition, \$34,810 is restricted in the Proprietary Fund to comply with debt service requirements.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 is summarized below:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 85,431	\$ -	\$ -	\$ 85,431
Construction in Progress	9,874	39,712		49,586
Total Capital Assets, Not Depreciated	<u>95,305</u>	<u>39,712</u>	<u>-</u>	<u>135,017</u>
Capital Asset, Being Depreciated				
Buildings and Improvements	91,484	-	-	91,484
Machinery and Equipment	211,645	-	-	211,645
Infrastructure	<u>273,149</u>	<u>-</u>	<u>-</u>	<u>273,149</u>
Total Capital Assets, Being Depreciated	<u>576,278</u>	<u>-</u>	<u>-</u>	<u>576,278</u>
Accumulated Depreciation				
Buildings and Improvements	91,484	-	-	91,484
Machinery and Equipment	207,543	4,102	-	211,645
Infrastructure	<u>75,644</u>	<u>12,572</u>	<u>-</u>	<u>88,216</u>
Total Depreciation	<u>374,671</u>	<u>16,674</u>	<u>-</u>	<u>391,345</u>
Capital Assets, Depreciated, Net	<u>201,607</u>	<u>(16,674)</u>	<u>-</u>	<u>184,933</u>
Net Capital Assets	<u>\$ 296,912</u>	<u>\$ 23,038</u>	<u>\$ -</u>	<u>\$ 319,950</u>

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

Governmental Activities	
General Government	\$ 12,572
Public Works	<u>4,102</u>
Total	<u>\$ 16,674</u>

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4: CAPITAL ASSETS (Continued)

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Business-Type Activities				
Capital Assets, Not Depreciated				
Construction in Progress	\$ 170,445	\$ -	\$ 170,445	\$ -
Total Capital Assets, Not Depreciated	170,445	-	170,445	-
Capital Asset, Being Depreciated				
Sewer System	4,752,781	45,592	-	4,798,373
Water Treatment Plant	1,273,405	-	-	1,273,405
Water Distribution System	104,627	168,684	-	273,311
Microfiltration System	577,715	-	-	577,715
Machinery and Equipment	74,700	-	-	74,700
Total Capital Assets, Being Depreciated	6,783,228	214,276	-	6,997,504
Accumulated Depreciation				
Sewer System	1,218,095	120,873	-	1,338,968
Water Treatment Plant	929,849	32,123	-	961,972
Water Distribution System	45,492	8,239	-	53,731
Microfiltration System	254,928	14,443	-	269,371
Machinery and Equipment	73,015	1,685	-	74,700
Total Depreciation	2,521,379	177,363	-	2,698,742
Capital Assets, Depreciated, Net	4,261,849	36,913	-	4,298,762
Net Capital Assets	\$ 4,432,294	\$ 36,913	\$ 170,445	\$ 4,298,762

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: LONG-TERM DEBT

The following is a summary of the Town's long-term debt transactions for the year ended December 31, 2020:

Governmental Activities	12/31/2019			12/31/2020	
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ -	\$ 12,057	\$ -	\$ 12,057	\$ -
Business Type Activities	12/31/2019			12/31/2020	
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within One Year</u>
USDA Revenue Bonds					
Series 2012-A	\$ 220,385		\$ 4,686	\$ 215,699	\$ 4,787
Series 2020-B	228,106	-	5,151	222,955	5,109
Note Payable	89,428		47,745	41,683	-
Total	\$ 537,919	\$ -	\$ 57,582	\$ 480,337	\$ 9,896

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 of or interest on the bonds or, upon prior written approval, for emergency maintenance, or for extension to the system.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: LONG-TERM DEBT (Continued)

USDA Revenue Bonds (Continued)

For the year ended December 31, 2020, 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 of an 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, 2020, the Town has met this requirement.

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 9,896	\$ 9,376	\$ 19,272
2022	10,108	9,164	19,272
2023	10,325	8,947	19,272
2024	10,546	8,726	19,272
2025	10,773	8,499	19,272
2026-2030	57,431	38,929	96,360
2031-2035	63,863	32,497	96,360
2036-2040	71,016	25,344	96,360
2041-2045	78,682	17,678	96,360
2046-2050	87,011	9,349	96,360
2051-2052	29,003	1,245	30,248
Total	<u>\$ 438,654</u>	<u>\$ 169,754</u>	<u>\$ 608,408</u>

Notes Payable

Eagle River Water and Sanitation District

In 2013, the Town entered into a note payable with Eagle River Water and Sanitation District (ERWSD) in the amount of \$225,000. Proceeds of the note was used to providing funding for repairs of the Town’s water main and refinance an existing loan agreement entered into in 2008. The note carries an interest rate of 3%. Semi-annual principal and interest payments in the amount of \$13,000 are due beginning April 2014 through October 2023. During the year ended December 31, 2020, the note was paid in full.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: LONG-TERM DEBT (Continued)

Eagle County

During 2013, the Town entered into an agreement with Eagle County to obtain funding to cover costs associated with an emergency water main freeze. The County initially granted the Town \$10,500. An additional amount to \$41,683 was loaned to the Town. The note carries no interest and has an original due date of December 31, 2015. As of December 31, 2020, no payments have been made on the note and the amount remains outstanding.

NOTE 6: INTERFUND BALANCES AND TRANSFERS

On December 31, 2020, the Water and Sanitation Enterprise Fund owes the General Fund \$30,718. The amounts owed are due to timing of expenditures that were paid by the General Fund and not yet reimbursed by the other fund.

During the year ended December 31, 2020, the Water and Sanitation Enterprise Fund transferred \$4,628 to the General Fund to cover administrative expenses.

NOTE 7: COMMITMENTS AND CONTINGENCIES

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, 2020 the Town paid \$2,688 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. WQC 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, 2020, the Town paid \$50,211 to WQCP under the terms of the agreement.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 7: **COMMITMENTS AND CONTINGENCIES** (Continued)

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, 2020, 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, 2020, the emergency reserve of \$8,900 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

NOTE 8: **RESTATEMENT OF PRIOR YEAR BALANCES**

For the year ended December 31, 2020, the beginning net position of the governmental activities and the beginning fund balance of the General Fund were decreased and the Water and Sanitation Enterprise Fund beginning net position was increased by \$64,671 to correct the balances due to the General Fund from the Water and Sanitation Enterprise Fund.

In addition, the beginning net position of the governmental activities and the beginning net position of the Water and Sanitation Enterprise Fund were increased by \$9,875 and \$170,445, respectively, to capitalize prior year's capital outlay expenditures as construction in progress.

TOWN OF RED CLIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 9: **SUBSEQUENT EVENTS**

COVID19 Pandemic

The United States of America and State of Colorado have declared an emergency as a result of the coronavirus (COVID19) pandemic. These economic uncertainties may have a significant impact on the financial position, results of operations, and cashflows of the Town. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RED CLIFF, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 172,939	\$ 172,939	\$ 170,554	\$ (2,385)
Specific Ownership Taxes	6,000	7,140	8,580	1,440
Sales and Use Taxes	75,200	52,647	66,598	13,951
Other Taxes	11,300	6,193	9,042	2,849
Intergovernmental Revenue	39,588	100,563	101,505	942
Licenses and Fees	9,900	8,432	10,782	2,350
Charges for Services	20,840	19,440	26,554	7,114
Earnings on Investments	3,500	1,500	1,672	172
Miscellaneous	-	-	2,772	2,772
TOTAL REVENUES	339,267	368,854	398,059	29,205
EXPENDITURES				
Current				
General Government				
Salaries	152,084	134,527	128,682	5,845
Professional Services	19,250	22,450	28,435	(5,985)
General and Administrative	40,092	47,223	74,490	(27,267)
Board Stipend	6,900	5,925	6,075	(150)
Insurance	7,600	7,866	10,300	(2,434)
Public Works				
Equipment Repair and Maintenance	26,500	13,003	23,243	(10,240)
Building and Grounds	-	8,000	10,182	(2,182)
Road and Bridge	-	5,000	4,795	205
Capital Outlay	28,500	86,209	57,801	28,408
TOTAL EXPENDITURES	280,926	330,203	344,003	(13,800)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	58,341	38,651	54,056	15,405
OTHER FINANCING SOURCES (USES)				
Transfers In	28,628	28,628	4,628	(24,000)
Transfers Out	(64,829)	(64,829)	-	64,829
TOTAL OTHER FINANCING SOURCES (USES)	(36,201)	(36,201)	4,628	40,829
CHANGE IN FUND BALANCE	22,140	2,450	58,684	56,234
FUND BALANCES, Beginning, Restated	159,258	276,829	251,870	(24,959)
FUND BALANCES, Ending	\$ 181,398	\$ 279,279	\$ 310,554	\$ 31,275

See the accompanying independent auditors' report

INDIVIDUAL FUND SCHEDULES

TOWN OF RED CLIFF, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CONSERVATION TRUST FUND
 Year Ended December 31, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 2,800	\$ 2,800	\$ 2,964	\$ 164
Interest Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>2,800</u>	<u>2,800</u>	<u>2,964</u>	<u>164</u>
EXPENDITURES				
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	2,800	2,800	2,964	164
FUND BALANCES, Beginning	<u>24,318</u>	<u>24,318</u>	<u>24,725</u>	<u>407</u>
FUND BALANCES, Ending	<u>\$ 27,118</u>	<u>\$ 27,118</u>	<u>\$ 27,689</u>	<u>\$ 571</u>

See the accompanying independent auditors' report

TOWN OF RED CLIFF, COLORADO

BUDGETARY COMPARISON SCHEDULE
 WATER AND SANITATION ENTERPRISE
 Year Ended December 31, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 290,598	\$ 275,138	\$ 275,749	\$ 611
Tap Fees and Contributions	-	-	-	-
Interest Revenue	2,300	1,686	1,558	(128)
Other Revenues	-	-	3,642	3,642
Transfers In	-	-	-	-
TOTAL REVENUES	<u>292,898</u>	<u>276,824</u>	<u>280,949</u>	<u>4,125</u>
EXPENDITURES				
Current				
Water Operations	85,220	40,618	49,614	(8,996)
Wastewater Operations	61,769	60,527	34,312	26,215
General and Administrative	129,959	116,888	128,546	(11,658)
Debt Service	69,170	57,111	68,308	(11,197)
Transfers Out	57,918	57,114	4,628	52,486
Capital Outlay	-	40,000	38,536	1,464
TOTAL EXPENDITURES	<u>404,036</u>	<u>372,258</u>	<u>323,944</u>	<u>48,314</u>
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ (111,138)</u>	<u>\$ (95,434)</u>	(42,995)	<u>\$ 52,439</u>
Adjustments to GAAP Basis				
Capital Outlay			38,536	
Loan Principal Payments			57,582	
Depreciation			(177,362)	
CHANGE IN NET POSITION, GAAP Basis			(124,239)	
NET POSITION, Beginning, Restated			<u>4,112,311</u>	
NET POSITION, Ending			<u>\$ 3,988,072</u>	

See the accompanying independent auditors' report

COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT		City or County:
		YEAR ENDING : December 2020
This Information From The Records Of Town of Red Cliff, CO:	Prepared By: Phone:	Barb Smith, Administrator 970/827-5303

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	31,828
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	10,474	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	31,828
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	10,474	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	9,452	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	19,926	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	31,828

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	(5,218)	19,926	31,828		(17,120)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2020

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	10,474	g. Other Misc. Receipts	0
6. Total (1. through 5.)	10,474	h. Other	0
c. Total (a. + b.)	10,474	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	9,452	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	0	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	9,452	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0		0
b. Engineering Costs	0		0
c. Construction:			
(1). New Facilities	0		0
(2). Capacity Improvements	0		0
(3). System Preservation	31,828		31,828
(4). System Enhancement & Operation	0		0
(5). Total Construction (1) + (2) + (3) + (4)	31,828	0	31,828
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	31,828	0	31,828
			(Carry forward to page 1)

Notes and Comments: