

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, 2022.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,875,936 (Net Position). The largest portion of the Town's total assets reflects its' investment in capital assets of \$4,156,988. Over time Net Position may serve as a useful indicator of a government's financial position.
- The Town's total Net Position increased by \$201,480 for 2022 coming from an increase of \$343,772 from the Town's government funds and a decrease of -\$142,292 from the Town's proprietary fund.
- At the close of the fiscal year, the Town's governmental funds reported ending fund balances of \$619,244, an increase of \$152,465 from the prior year.
- At the end of the fiscal year, the unassigned fund balance for the general fund was \$569,315, an increase of \$147,964.
- The Town's total long-term debt decreased by -\$47,825 during the fiscal year primarily due to the payoff of the loan from Eagle County. The balance at the end of the fiscal year was \$431,450.

Town Highlights

General Account. The Town has continued to be as conservative as possible in spending. Starting 2022, plans for increased spending for urgently needed equipment and to start bringing the payroll for employees closer to current trends in the Eagle River Valley. The outlook remains 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.

The Streetscape project is moving ahead slowly. The Town Staff expect to have additional outreach and community forums to mold this project into a positive outcome for the Town. In 2022, the Town participated in a few outreach events to gain insight from residents regarding the pending streetscape project. 2023 will see meetings to educate and gain temporary access agreements along the streetscape areas prior to the execution of an additional grant to start implementing the project. Savings of \$20,000 have been committed for the future road and bridge streetscape design and implementation process. The savings have also been budgeted for 2023 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 2022 with no major problems.

Funds have been placed in reserve to offset any upgrades or maintenance necessary. At the end of 2022 the reserve account had \$22,333. \$20,000 minimum is reserved for USDA Bonds.

Our residents had one of the highest water service fees in the state due to debt. However, by being conservative, paying off all debt, and by continuing with our current water operator, Water Quality Control Professionals, the town has been able to control spending and look towards lowering the monthly charges for water and wastewater in the coming year. The Water Treatment Facility bonds and payments for those bonds continue through 2052; these two bonds will not be paid ahead as they are at a very low rate. Lowered rate for 2023, may not continue and need increase for additional required testing and expenses increasing

Additional funds were moved to the General Account to offset the expense of a new truck for the Maintenance Department which was ordered towards the end of the 2022. The truck is to be used for all maintenance activities such as road maintenance including Shrine Pass to the Treatment plant and the Reserve Pond. Cost is shared by the General and Enterprise Accounts.

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 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 Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$922,878	\$773,920	\$169,544	\$228,298	\$1,092,422	\$1,002,218
Capital assets, net	593,712	398,283	3,981,617	4,138,730	4,575,329	4,537,013
Total Assets	1,516,590	1,172,203	4,151,161	4,367,028	5,667,751	5,539,231
Liabilities:						
Other Liabilities	316,763	316,148	67,036	88,447	383,799	404,595
Long-term liabilities	0	0	408,016	460,180	408,016	460,180
Total Liabilities	316,763	316,148	475,052	548,627	791,815	864,775
Net Position:						
Invested in capital assets, Net of related debt	593,712	398,283	3,563,276	3,668,442	4,156,988	4,066,725
Restricted	49,909	45,408	0	0	49,909	45,408
Unrestricted	556,206	412,364	112,833	149,959	669,039	562,323
Total Net Position	\$1,199,827	\$856,055	\$3,676,109	\$3,818,401	\$4,875,936	\$4,674,456

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 \$4,875,936 at the close of 2022. 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Charges for Services	\$27,612	\$26,797	\$323,762	\$321,534	\$351,374	\$348,331
Taxes	340,742	311,636	0	0	340,742	311,636
Licenses, fees and permits	16,805	17,863	0	0	16,805	17,863
Intergovernmental	268,848	104,783	0	0	268,848	104,783
Earnings on Investments (Interest Income)	6,265	466	2,943	230	9,208	696
Miscellaneous	628	238	0	0	628	238
Total	660,900	461,783	326,705	321,764	987,605	783,547
Expenditures:						
General Government	401,449	341,359	34,028	38,797	435,477	380,156
Public Works	36,221	31,455	0	0	36,221	31,455
Interest Expense	0	0	8,998	8,739	8,998	8,739
Water and Wastewater Operations	0	0	133,246	143,361	133,246	143,361
Capital Outlay	0	0	0	0	0	0
Depreciation and Amortization	0	0	172,183	179,588	172,183	179,588
Transfers	-120,542	-120,950	120,542	120,950	0	0
Total	317,128	251,864	468,997	491,435	786,125	743,299

Change in Net Position	343,772	209,919	-142,292	-169,671	201,480	40,248
Net Position – Beginning	\$ 856,055	\$ 646,136	\$ 3,818,401	\$3,988,072	\$4,674,456	\$4,634,208
Net Position – Ending	\$ 1,199,827	\$ 856,055	\$ 3,676,109	\$3,818,401	\$4,875,936	\$4,674,456

The Town's total Net Position increased by \$201,480 in 2022

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. Unreserved *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 2022 by \$68,561.
- Expenditures in the General fund were lower than anticipated by \$20,971 for 2022.
- Revenues in the Enterprise fund were higher than anticipated by \$5,901 for 2022.
- Expenditures in the Enterprise fund were higher than anticipated by \$66,018 for 2022.
- The Town is hopeful that for 2023 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