

Town of Ridgway
Financial Statements
and
Report of Independent Auditor
December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Ridgway, Colorado

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 Town of Ridgway, Colorado, as of and for the year ended December 31, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Ridgway, Colorado, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 37-42 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 of Ridgway, Colorado's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Available Resources-Budget and Actual-Enterprise Funds and local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues, Expenditures and Changes in Available Resources-Budget and Actual-Enterprise Funds and local highway finance report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues, Expenditures and Changes in Available Resources-Budget and Actual-Enterprise Funds and local highway finance report are fairly stated in all material respects in relation to the basic financial statements as a whole.

Blair and Associates, P.C.

Cedaredge, Colorado
August 28, 2014

TOWN OF RIDGWAY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2013

As management of the Town of Ridgway (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$ 8,561,948 (i.e. net position) as of December 31, 2013, an increase of \$ 497,124 in comparison to the prior year.
- Governmental funds reported combined ending fund balances of \$ 856,788, an increase of \$ 73,860 in comparison with the prior year.
- The Town's fund balance for the General Fund was \$ 840,265, an increase of \$ 108,060 in comparison to the prior year.
- Total long-term liabilities decreased by \$ 53,081 during the 2013 fiscal year with no new debt issued.
- General property tax, sales tax, and other tax totaled \$ 998,834 or 86% of general revenues.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic statements are comprised of 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 the Town's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods (e.g. uncollected taxes and earned but unused personal time).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities).

The Governmental Activities of the Town include general government administration, police, public works, and community center. The Business-type Activities of the Town include the following utilities: water and sewer funds.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

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

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

The Town maintains two major government funds, the General Fund and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

Proprietary Funds – The Town maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a separate enterprise fund to account for each of its utility funds: Water and Sewer Fund.

Fiduciary Funds – The Town maintains one type of fiduciary fund, the Ridgway General Improvement District #1.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the year ended December 31, 2013, the Town's combined assets exceeded liabilities by \$ 8,561,948. Of this amount, \$ 1,806,106 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the investment in capital assets (net of related debt) of \$ 6,657,671 (78% of net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's governmental and business-type net assets for 2013:

	Governmental Activities		Business Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 1,254,740	\$ 1,100,604	\$ 1,166,733	\$ 1,035,008	\$ 2,421,473	\$ 2,135,612
Capital assets	4,605,256	4,251,698	2,777,327	2,895,103	7,382,583	7,146,801
Total assets	\$ 5,859,996	\$ 5,352,302	\$ 3,944,060	\$ 3,930,111	\$ 9,804,056	\$ 9,282,413
Current liabilities	\$ 161,952	\$ 47,376	\$ 34,657	\$ 37,466	\$ 196,609	\$ 84,842
Non-current liabilities						
Compensated absences	84,587	84,454	-	-	84,587	84,454
Loans payable	-	-	724,912	777,993	724,912	777,993
Total liabilities	246,539	131,830	759,569	815,459	1,006,108	947,289
Deferred inflow of resources						
Deferred property taxes	236,000	270,300	-	-	272,000	270,300
Net assets						
Investment in capital assets, net of related debt	4,605,256	4,251,698	2,052,415	2,117,110	6,657,671	6,368,808
Restricted	98,171	98,171	-	-	98,171	98,171
Unrestricted	674,030	600,303	1,132,076	997,542	1,806,106	1,597,845
Total net assets	\$ 5,377,457	\$ 4,950,172	\$ 3,184,491	\$ 3,114,652	\$ 8,561,948	\$ 8,064,824

An additional portion of net position, \$ 98,171, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$ 1,806,106 (21% of net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position

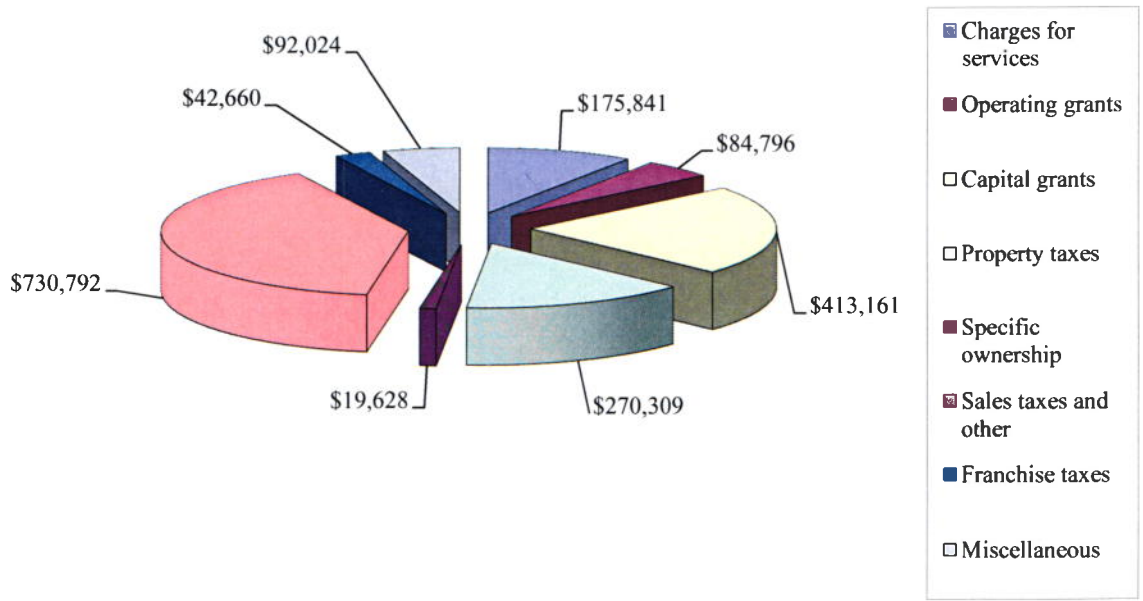
Governmental and business-type activities increased the Town's net position by \$ 497,124 in 2013.

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 175,841	\$ 163,197	\$ 697,958	\$ 657,529	\$ 873,799	\$ 820,726
Operating grants	84,796	83,627	-	-	84,796	83,627
Capital grants	413,161	308,466	19,875	53,580	433,036	362,046
General revenues						
Property taxes	270,309	268,991	-	-	270,309	268,991
Specific ownership	19,628	17,344	-	-	19,628	17,344
Sales taxes and other	730,792	672,613	-	-	730,792	672,613
Franchise taxes	42,660	28,558	-	-	42,660	28,558
Transfers	-	24,089	-	(24,089)	-	-
Miscellaneous	91,303	76,262	-	-	91,303	76,262
Interest income	721	938	864	1,020	1,585	1,958
Totals	<u>1,829,211</u>	<u>1,644,085</u>	<u>718,697</u>	<u>688,040</u>	<u>2,547,908</u>	<u>2,332,125</u>
Expenses						
General government	406,360	402,580	-	-	406,360	402,580
Public safety	264,085	228,643	-	-	264,085	228,643
Public works	381,190	325,632	648,858	594,696	1,030,048	920,328
Culture and recreation	350,291	234,301	-	-	350,291	234,301
Total expenses	<u>1,401,926</u>	<u>1,191,156</u>	<u>648,858</u>	<u>594,696</u>	<u>2,050,784</u>	<u>1,785,852</u>
Increase in net position	427,285	452,929	69,839	93,344	497,124	546,273
Beginning	<u>4,950,172</u>	<u>4,497,243</u>	<u>3,114,652</u>	<u>3,021,308</u>	<u>8,064,824</u>	<u>7,518,551</u>
Ending	<u>\$ 5,377,457</u>	<u>\$ 4,950,172</u>	<u>\$ 3,184,491</u>	<u>\$ 3,114,652</u>	<u>\$ 8,561,948</u>	<u>\$ 8,064,824</u>

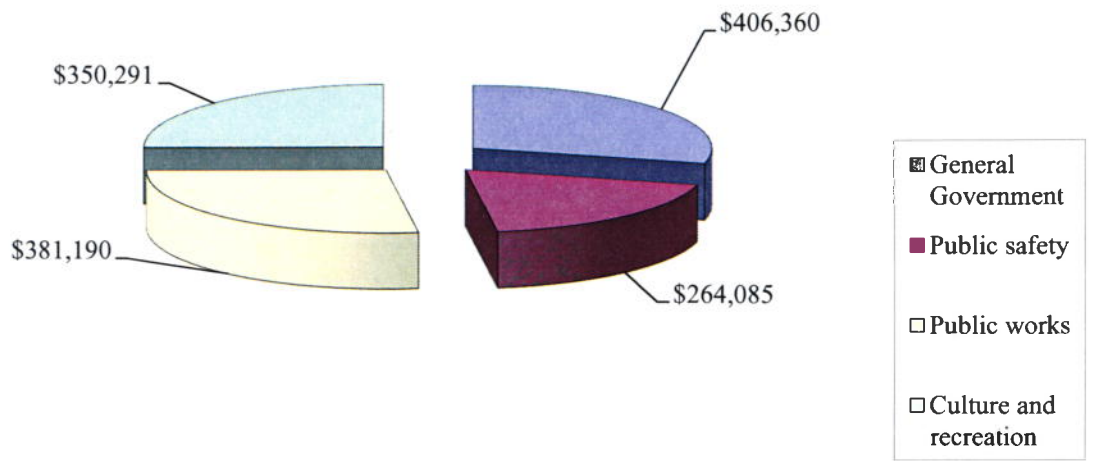
Governmental Activities

Governmental activities increased the Town's net position by \$ 427,285.

Revenues by Source-Governmental Activities



Expenses by Department-Governmental Activities



Business-type Activities

Business-type activities for the year had an increase in net position of \$ 69,839. Charges for services accounted for 97% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS

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, unreserved fund balance may serve as a useful measure of the Town’s net resources available for spending at the end of the fiscal year.

As of the end of 2013, the Town’s governmental funds reported combined ending fund balances of \$ 856,788, an increase of \$ 73,860 in comparison with the prior year. Of the combined ending fund balances for all governmental funds 87% of this total amount, \$ 742,094, constitutes unassigned fund balance, which is available for appropriation at the Town’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is already committed to meet a State constitution mandated emergency reserve, \$98,171 and reserve for capital improvements of \$ 16,523.

The Town has two major governmental funds, the General Fund, which is the primary operating fund for the Town, and the Capital Projects Fund. At the end of 2013, unassigned fund balance of the General Fund was \$ 742,094, while the total fund balance was \$ 840,265. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The fund balance in the Town’s General Fund increased by \$ 108,060 during 2013.

Proprietary funds

The Town’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Town has two enterprise funds: Water Fund and Sewer Fund. At the end of 2013, these funds represented the following net position amounts:

	<u>Water</u>	<u>Sewer</u>
Unrestricted net position	\$ 504,875	\$ 627,201
Total net position	\$ 1,450,330	\$ 1,734,161
Increase (decrease) in net position	\$ 24,886	\$ 44,953

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgeted \$ 1,393,081 for 2013 expenditures. Actual expenditures were \$ 1,307,991. There was no amendment to the original budget for General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2013, was \$ 7,382,583. As required for this year by GASB 34, the investment in capital assets includes land, buildings, building improvements, and equipment.

	Balance January 1, 2013	Additions	Dispositions	Balance December 31, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,662,500	\$ -	\$ -	\$ 1,662,500
Construction in progress	522,885	447,361	-	970,246
	<u>2,185,385</u>	<u>447,361</u>	<u>-</u>	<u>2,632,746</u>
Capital assets being depreciated				
Buildings	366,551	-	-	366,551
Vehicles and equipment	277,028	-	-	277,028
Equipment-culture and recreation	120,061	-	-	120,061
Infrastructure	2,107,509	-	-	2,107,509
Less accumulated depreciation	<u>(804,837)</u>	<u>(93,802)</u>	<u>-</u>	<u>(898,639)</u>
Capital assets being depreciated, net	<u>2,066,312</u>	<u>(93,802)</u>	<u>-</u>	<u>1,972,510</u>
Total Governmental Activities Capital Assets	<u>\$ 4,251,697</u>	<u>\$ 353,559</u>	<u>\$ -</u>	<u>\$ 4,605,256</u>
Business - Type Activities				
Capital assets not being depreciated				
Land	\$ 39,500	\$ -	\$ -	\$ 39,500
Construction in progress	996,520	-	(996,520)	-
	<u>1,036,020</u>	<u>-</u>	<u>(996,520)</u>	<u>39,500</u>
Capital assets being depreciated				
Buildings	20,668	-	-	20,668
Improvements other than buildings	3,286,172	996,520	-	4,282,692
Vehicles and equipment	341,811	-	-	341,811
Less accumulated depreciation	<u>(1,789,570)</u>	<u>(117,774)</u>	<u>-</u>	<u>(1,907,344)</u>
Capital assets being depreciated, net	<u>1,859,081</u>	<u>878,746</u>	<u>-</u>	<u>2,737,827</u>
Total Business-Type Activities Capital Assets	<u>\$ 1,898,581</u>	<u>\$ 878,746</u>	<u>\$ -</u>	<u>\$ 2,777,327</u>

Long-term Debt

As of December 31, 2013, the Town had long-term debt as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due within one year
Governmental Activities					
Accrued compensated absences	\$ 84,454	\$ 84,587	\$ (84,454)	\$ 84,587	\$ 84,587
Total	\$ 84,454	\$ 84,587	\$ (84,454)	\$ 84,587	\$ 84,587
Enterprise Activities					
Bank loan	\$ 89,000	\$ -	\$ (11,000)	\$ 78,000	\$ 12,000
CWCB loan	53,143	-	(5,976)	47,167	6,156
Loan payable	242,100	-	(13,605)	228,495	14,285
CWRPDA	393,750	-	(22,500)	371,250	22,500
Total	\$ 777,993	\$ -	\$ (53,081)	\$ 724,912	\$ 54,941

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town is in good financial condition.
- The Town's General fund has a fund balance that will cover three months of normal expenditures.
- In 2006 the voters approved a sales tax increase of .06%, which is designated for capital improvements.

REQUEST FOR INFORMATION

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 the report or requests for additional financial information should be addressed to:

Town Clerk
Town of Ridgway
Ridgway, Co