

TOWN OF DOLORES COLORADO

Independent Accountants' Reports
and
Basic Financial Statements

December 31, 2016



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TOWN OF DOLORES, COLORADO

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Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521
Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Dolores, Colorado
Dolores, Colorado 81323

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dolores, Colorado as of and for the year ended December 31, 2016, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 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, and each major fund of the Town of Dolores, Colorado, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 through 13 and pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a required 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 Dolores, Colorado's basic financial statements. The accompanying other supplementary information and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Local Highway Finance Report has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Majors and Haley, P.C.
May 9, 2017

TOWN OF DOLORES, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016

FINANCIAL HIGHLIGHTS

Key financial highlights for the Town in 2016 are as follows:

- In total, net position increased by \$291,435. Net position of governmental activities increased by \$126,541, which represents a 4.8 percent increase from 2015. Net position of business type activities increased by \$164,894 or 8.2 percent from 2015.
- General revenues accounted for \$673,320 in revenue or 50.5 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$659,057 or 49.5 percent of total revenues of \$1,332,377.
- Governmental activities total assets increased by \$101,416. Total liabilities and deferred inflows of resources decreased by \$25,125.
- The Town incurred \$660,415 in expenses related to government activities. \$103,086 of these expenses was offset by program specific charges for services, grants and contributions. General revenues (primarily property taxes, sales taxes, franchise taxes, and mineral leasing revenue) of \$683,870 were adequate to cover the balance of these programs.
- The General Fund had \$786,956 in revenues including transfers in and \$573,031 in expenditures. It's fund balance increased by \$213,925 from \$611,619 to \$825,544.
- Net position of the Enterprise Funds increased from \$2,017,709 to \$2,182,603.

TOWN OF DOLORES, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two statements are Town-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the Town-wide statements.
- The governmental funds statements tell how basic services such as general government were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water and sanitation services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

Town-wide Statements

The Town-wide statements report information about the Town as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the Town's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

TOWN OF DOLORES, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2016

The two Town-wide statements report the Town's net position and how it has changed. Net position (the difference between the Town's assets and deferred outflows of resources less liabilities and deferred inflows of resources) is one way to measure the Town's financial position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Town's overall health, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of Town facilities.

In the Town-wide financial statements, the Town's activities are divided into two categories:

- **Governmental activities-** Most of the Town's basic services are included here, such as general government, public safety, public works and culture and recreation. These activities are financed mainly through property taxes and sales taxes.
- **Business-type activities-** The Town charges fees to help cover the costs of certain services it provides. The Town's water and sanitation facilities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds, not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the Town establishes other funds to help it manage and control its finances to achieve certain results.

The Town uses two types of funds:

- **Governmental funds-** Most of the Town's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide

TOWN OF DOLORES, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2016

a detailed short-term view of the Town's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the Town-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

- **Proprietary funds-** Services for which the Town charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Town-wide financial statements. The Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flow analysis.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Total assets increased by \$190,358. Net capital assets increased \$13,198. Current liabilities decreased by \$34,548. Non-current liabilities decreased by \$66,789. Deferred inflows of resources increased by \$260.

The Town's combined net position was larger on December 31, 2016 than it was at December 31, 2015, increasing by 6.3 percent to \$4,944,320. Part of the increase came from its governmental activities, the net position of which increased by \$126,541 to \$2,761,717. The net position of the Town's business type activities increased \$164,894 to \$2,182,603.

TOWN OF DOLORES, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016

Table 1 provides a summary of the Town's net position for 2016 compared to 2015:

Table 1
Condensed Statement of Net Position
(In millions)

	Governmental Activities		Business-type Activities		Total Town	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 0.946	\$ 0.734	\$ 0.728	\$ 0.763	\$ 1.674	\$ 1.497
Capital assets	1.986	2.097	1.505	1.381	3.491	3.478
Total assets	<u>2.932</u>	<u>2.831</u>	<u>2.233</u>	<u>2.144</u>	<u>5.165</u>	<u>4.975</u>
Liabilities						
Current liabilities	0.038	0.064	0.041	0.100	0.079	0.164
Noncurrent liabilities	0.050	0.050	0.009	0.026	0.059	0.076
Deferred inflows of resources	0.082	0.082			0.082	
Net Position						
Net investment in capital assets	1.936	2.023	1.479	1.328	3.415	3.351
Restricted	0.020	0.020			0.020	0.020
Unrestricted	0.806	0.592	0.704	0.690	1.510	1.282
Total net position	<u>\$ 2.762</u>	<u>\$ 2.635</u>	<u>\$ 2.183</u>	<u>\$ 2.018</u>	<u>\$ 4.945</u>	<u>\$ 4.653</u>

TOWN OF DOLORES, COLORADO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016**

Table 2 shows the changes in net position for fiscal year 2016 as compared to 2015.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Town	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 53,689	\$ 42,404	\$ 455,993	\$ 435,786	\$ 509,682	\$ 478,190
Operating grants & contributions	49,397	38,200			49,397	38,200
Capital grants & contributions		15,813	99,978		99,978	15,813
General revenues						
Property taxes	82,512	82,301			82,512	82,301
Sales taxes	349,226	321,981			349,226	321,981
Other	252,132	187,691	(10,550)	(12,301)	241,582	175,390
Total revenues	786,956	688,390	545,421	423,485	1,332,377	1,111,875
Expenses						
General government	204,165	176,747			204,165	176,747
Public safety	159,529	190,899			159,529	190,899
Public works	266,411	279,297	380,527	361,723	646,938	641,020
Culture and recreation	30,310	33,981			30,310	33,981
Total expenses	660,415	680,924	380,527	361,723	1,040,942	1,042,647
Increase (decrease) in net position	\$ 126,541	\$ 7,466	\$ 164,894	\$ 61,762	\$ 291,435	\$ 69,228

TOWN OF DOLORES, COLORADO

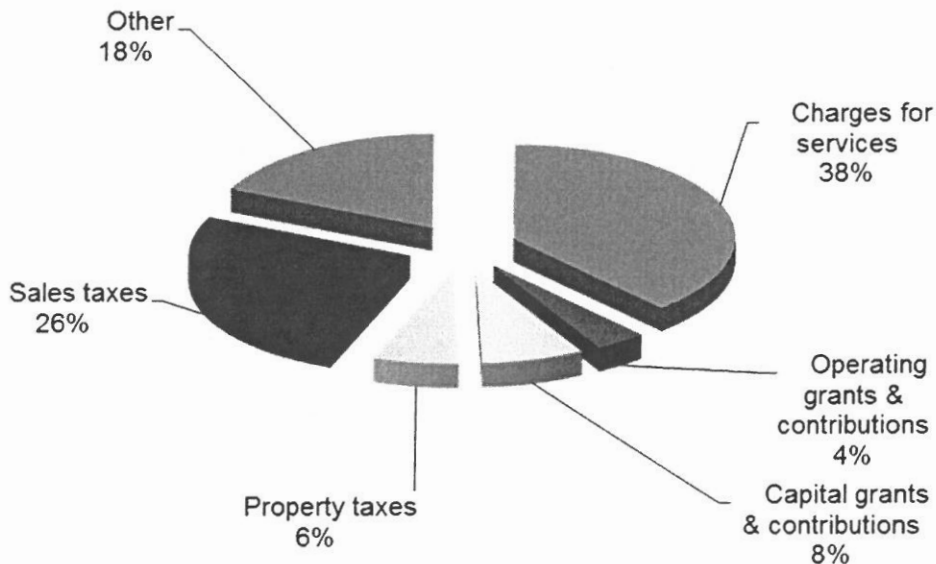
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended December 31, 2016

Charges for services and sales taxes accounted for most of the Town's total revenue, with each contributing 38 percent and 26 percent respectively (See Table 3). Another 24 percent came from property taxes and other revenues and the remainder from operating and capital grants.

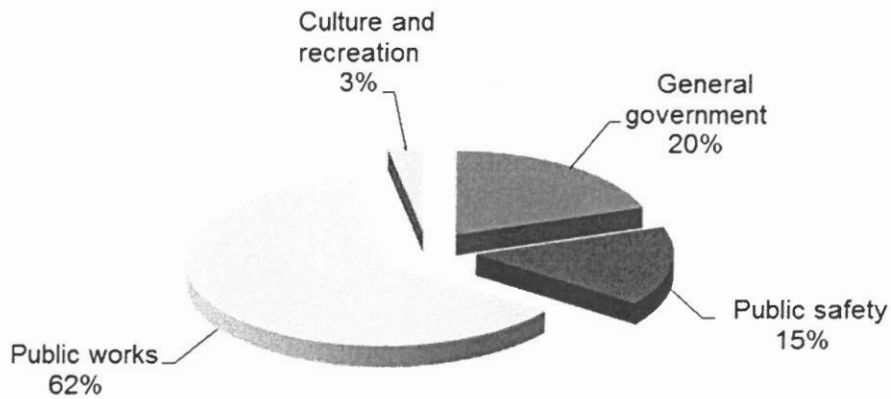
The Town's expenses are predominately related to, public works (62 percent), general government (20 percent), and public safety (15 percent) (See Table 4). The Town's culture and recreation activities accounted for the balance of total costs.

Table 3
Sources of Revenue for Fiscal Year 2016



TOWN OF DOLORES, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016

Table 4
Expenses for Fiscal Year 2016



Governmental Activities

The primary sources of operating revenue for the Town come from charges for services and sales taxes. The Town receives approximately 64 percent of this funding from these sources while the remaining amounts come from other sources.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That

TOWN OF DOLORES, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016

is, it identifies the cost of these services supported by general revenues including general property taxes and sales taxes.

Table 5
Government Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government	\$ 204,165	\$ 176,747	\$ 144,989	\$ 141,323
Public safety	159,529	190,899	158,519	187,659
Public works	266,411	279,297	236,881	234,321
Culture and recreation	30,310	33,981	16,940	21,204
Total	\$ 660,415	\$ 680,924	\$ 557,329	\$ 584,507

- The cost of all governmental activities during the year was \$660,415.
- Some of the cost was financed by the users of the Town's programs (\$53,689)
- Federal and state government subsidized certain programs with grants and contributions (\$49,397).
- However, \$683,870 was financed by state and town taxpayers. This portion of governmental activities was financed with \$349,226 in sales taxes, \$93,464 in property and specific ownership taxes, \$65,709 in franchise taxes, and \$175,471 in other general revenues.

Business-type Activities

Business-type activities are made up of the Water Fund and the Wastewater Fund. These programs had revenues of \$545,421 and expenses of \$380,527.

TOWN OF DOLORES, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Information about the Town's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$786,956 and expenditures of \$573,031.

General Fund Budgetary Highlights

The Town's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

Over the course of the year, the Town made no revisions to the annual operating budget.

- Actual expenditures were \$73,421 less than budget, primarily because the Town budgeted conservatively for expenditures.

CAPITAL ASSET ADMINISTRATION

By the end of 2016, the Town has invested \$9.84 million in land, buildings, and equipment (including vehicles), of this total \$3.37 million was from governmental activities.

Table 6 shows capital assets for 2016 compared to 2015:

Table 6
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total Town	
	2016	2015	2016	2015	2015	2014
Land/Water rights	\$ 134,741	\$ 134,741	\$ 44,096	\$ 44,096	\$ 178,837	\$ 178,837
Buildings/Facilities	2,648,460	2,648,460	6,284,062	6,080,293	8,932,522	8,728,753
Equipment	583,477	583,477	148,723	148,723	732,200	732,200
Total	\$ 3,366,678	\$ 3,366,678	\$ 6,476,881	\$ 6,273,112	\$ 9,843,559	\$ 9,639,790

TOWN OF DOLORES, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2016

Additional information on the Town's capital assets can be found in the Notes to the Financial Statements on page 30 of this report.

FACTORS BEARING ON THE TOWN'S FUTURE

At the time these financial statements were prepared and audited, the Town is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town's citizens, taxpayers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Dolores Administration Office, PO Box 630 Dolores, Colorado 81323.

TOWN OF DOLORES, COLORADO

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 814,616	\$ 683,612	\$ 1,498,228
Property tax receivable	82,353		82,353
Accounts receivable	48,190	28,058	76,248
Due from other governments	780		780
Inventory		16,074	16,074
Capital assets	3,366,678	6,476,881	9,843,559
Accumulated depreciation	(1,380,611)	(4,972,136)	(6,352,747)
Total capital assets, net of depreciation	1,986,067	1,504,745	3,490,812
Total Assets	2,932,006	2,232,489	5,164,495
Liabilities			
Accounts payable	19,925	5,558	25,483
Accrued vacation	18,117	18,118	36,235
Accrued interest		431	431
Long-term liabilities			
Due within one year	49,894	16,895	66,789
Due in more than one year		8,884	8,884
Total Liabilities	87,936	49,886	137,822
Deferred inflows of resources			
Unearned property tax revenue	82,353		82,353
Net Position			
Net investment in capital assets	1,936,173	1,478,966	3,415,139
Restricted for			
TABOR	20,000		20,000
Unrestricted	805,544	703,637	1,509,181
Total Net Position	\$ 2,761,717	\$ 2,182,603	\$ 4,944,320

The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO
Statement of Activities

For the Year Ended December 31, 2016

	Program Revenues			Net (Expenses) Revenue And Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities							
General government	\$ 204,165	\$ 49,859	\$ 9,317		\$ (144,989)		\$ (144,989)
Public safety	159,529	1,010			(158,519)		(158,519)
Public works	266,411		29,530		(236,881)		(236,881)
Culture and recreation	30,310	2,820	10,550		(16,940)		(16,940)
Total Governmental Activities	<u>660,415</u>	<u>53,689</u>	<u>49,397</u>	-	<u>(557,329)</u>		<u>(557,329)</u>
Business-Type Activities							
Water operations	186,852	259,559		\$ 12,704		\$ 85,411	85,411
Sewer operations	193,675	196,434		87,274		90,033	90,033
Total Business-Type Activities	<u>380,527</u>	<u>455,993</u>		<u>99,978</u>		<u>175,444</u>	<u>175,444</u>
Total Town	<u>\$ 1,040,942</u>	<u>\$ 509,682</u>	<u>\$ 49,397</u>	<u>\$ 99,978</u>	<u>(557,329)</u>	<u>175,444</u>	<u>(381,885)</u>

General Revenues			
Property taxes	82,512		82,512
Specific ownership taxes	10,952		10,952
Sales tax	349,226		349,226
Road and bridge tax	10,577		10,577
Franchise tax	65,709		65,709
Severance tax	4,867		4,867
Intergovernmental			
Mineral leasing	76,341		76,341
Tobacco taxes	1,200		1,200
Earnings on investments	8,312		8,312
Miscellaneous	57,534	6,090	63,624
Transfers	16,640	(16,640)	-
Total General Revenues	<u>683,870</u>	<u>(10,550)</u>	<u>673,320</u>
Change in Net Position	126,541	164,894	291,435
Net Position Beginning of the Year	2,635,176	2,017,709	4,652,885
Net Position End of the Year	<u>\$ 2,761,717</u>	<u>\$ 2,182,603</u>	<u>\$ 4,944,320</u>

The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO

Balance Sheet
Governmental Funds

December 31, 2016

	General Fund	
Assets		
Cash and investments	\$ 814,616	
Property tax receivable	82,353	
Accounts receivable	48,190	
Due from other governments	780	
Total assets	\$ 945,939	
Liabilities		
Accounts payable	\$ 19,925	
Accrued vacation	18,117	
Total liabilities	38,042	
Deferred inflows of resources		
Unearned property tax revenue	82,353	
Fund balance		
Restricted		
TABOR	20,000	
Unrestricted		
Assigned for subsequent year's expenditures	649,912	
Unassigned	155,632	
Total fund balance	825,544	
Total liabilities, deferred inflows of resources, and fund balance	\$ 945,939	
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position		
Total fund balance governmental funds		\$ 825,544
Amounts reported for governmental activities in the Statement of Net Position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets	\$ 3,366,678	
Accumulated depreciation	(1,380,611)	1,986,067
Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		
Due within one year	(49,894)	
Due in more than one year	-	(49,894)
Total net position governmental activities		\$ 2,761,717

The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund

For the Year Ended December 31, 2016

	<u>General Fund</u>
Revenues	
Taxes	\$ 523,843
Intergovernmental revenues	126,939
Licenses and permits	30,698
Fines and forfeitures	1,010
Earnings on investments	8,311
Other	79,515
Total revenues	<u>770,316</u>
Expenditures	
General government	202,655
Public safety	159,529
Public works	187,409
Culture and recreation	23,438
Total expenditures	<u>573,031</u>
Other financing sources (uses)	
Operating transfers in	16,640
Total other financing sources (uses)	<u>16,640</u>
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	213,925
Fund Balances beginning of the year	611,619
Fund balances end of the year	<u><u>\$ 825,544</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2016

Net Change in Fund Balances Governmental Funds \$ 213,925

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ -	
Depreciation expense	(110,749)	
	(110,749)	(110,749)

Repayment of debt principal is an expenditure in the governmental fund but the repayment reduces long-term liabilities in the Statement of Net Assets

Principal payments on capital lease	23,365
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Change in Net Position of Governmental Activities	\$ 126,541
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The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO

Statement of Net Position
 Proprietary Fund Type-Enterprise Funds
December 31, 2016

	Business-type Activities		
	Water	Wastewater	Total
Assets			
Current assets			
Cash	\$ 478,324	\$ 205,288	\$ 683,612
Accounts receivable	18,275	9,783	28,058
Inventory	15,470	604	16,074
Total current assets	512,069	215,675	727,744
Noncurrent assets			
Capital assets	2,256,043	4,220,838	6,476,881
Accumulated depreciation	(1,619,555)	(3,352,581)	(4,972,136)
Total noncurrent assets	636,488	868,257	1,504,745
Total assets	1,148,557	1,083,932	2,232,489
Liabilities			
Current liabilities			
Accounts payable	3,257	2,301	5,558
Accrued vacation	9,059	9,059	18,118
Accrued interest	431		431
Current portion of long term debt	16,895		16,895
Total current liabilities	29,642	11,360	41,002
Noncurrent liabilities			
Notes payable	8,884		8,884
Total noncurrent liabilities	8,884	-	8,884
Total liabilities	38,526	11,360	49,886
Net position			
Net investment in capital assets	610,709	868,257	1,478,966
Unrestricted	499,322	204,315	703,637
Total net position	\$ 1,110,031	\$ 1,072,572	\$ 2,182,603

The accompanying notes are an integral part of this statement

TOWN OF DOLORES, COLORADO
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund Type
Enterprise Funds

For the Year Ended December 31, 2016

	Business-type Activities		
	Water Fund	Wastewater Fund	Total
Operating revenues			
Charges for services	\$ 249,059	\$ 187,934	\$ 436,993
Other	3,298	2,792	6,090
Total operating revenues	<u>252,357</u>	<u>190,726</u>	<u>443,083</u>
Operating expenses			
Salaries and benefits	97,138	97,136	194,274
Office	1,533	912	2,445
Subscriptions, dues and permits	1,975	2,055	4,030
Audit fees	2,500	2,500	5,000
Laboratory services	2,455	2,628	5,083
Travel	393		393
Operator	955		955
Insurance	5,598	5,597	11,195
Repairs and maintenance	1,015		1,015
Parts and supplies	10,109	1,384	11,493
Chemicals	5,228	5,366	10,594
Utilities	21,764	22,116	43,880
Miscellaneous	4,983	3,183	8,166
Depreciation	29,381	50,441	79,822
Total operating expenses	<u>185,027</u>	<u>193,318</u>	<u>378,345</u>
Operating income (loss)	<u>67,330</u>	<u>(2,592)</u>	<u>64,738</u>
Non-operating revenues (expenses)			
Operating transfers out	(8,320)	(8,320)	(16,640)
Grant revenue	12,704	87,274	99,978
Tap fees	10,500	8,500	19,000
Debt service			
Interest	(1,825)	(357)	(2,182)
Total non-operating revenue	<u>13,059</u>	<u>87,097</u>	<u>100,156</u>
Change in net position	80,389	84,505	164,894
Net position beginning of the year	1,029,642	988,067	2,017,709
Net position end of the year	<u>\$ 1,110,031</u>	<u>\$ 1,072,572</u>	<u>\$ 2,182,603</u>

The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO

Statement of Cash Flows
Proprietary Fund Type
Enterprise Funds

For the Year Ended December 31, 2016

	Business-type Activities		
	Water	Wastewater	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 253,695	\$ 192,649	\$ 446,344
Cash payments to employees for services	(98,191)	(98,189)	(196,380)
Cash payments to suppliers for goods and services	(60,015)	(47,182)	(107,197)
Net Cash Flows provided (used) by Operating Activities	<u>95,489</u>	<u>47,278</u>	<u>142,767</u>
Cash Flows From Capital and Related Financing Activities			
Tap fees received	10,500	8,500	19,000
Grants received	12,704	87,274	99,978
Principal paid on debt	(16,090)	(10,710)	(26,800)
Interest paid on debt	(2,094)	(536)	(2,630)
Net Cash Flows provided (used) by Capital and Financing Activities	<u>5,020</u>	<u>84,528</u>	<u>89,548</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	(8,320)	(8,320)	(16,640)
Equipment and facilities purchased	(32,960)	(170,809)	(203,769)
Repayment of interfund debt	(22,188)	(22,188)	(44,376)
Net Cash Flows provided (used) by Noncapital Financing Activities	<u>(63,468)</u>	<u>(201,317)</u>	<u>(264,785)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,041	(69,511)	(32,470)
Cash and Cash Equivalents - Beginning	441,283	274,799	716,082
Cash and Cash Equivalents - Ending	<u>\$ 478,324</u>	<u>\$ 205,288</u>	<u>\$ 683,612</u>
Reconciliation of operating income (loss) to Net Cash provided (used) by Operating Activities			
Operating income (loss)	\$ 67,330	\$ (2,592)	\$ 64,738
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	29,381	50,441	79,822
Changes in assets and liabilities related to operations:			
(Increase) Decrease in			
Accounts receivable	1,338	1,923	3,261
Inventory	(633)	(93)	(726)
Increase (Decrease) in			
Operating accounts payable	(874)	(1,348)	(2,222)
Accrued vacation	(1,053)	(1,053)	(2,106)
Net Cash provided (used) by Operating Activities	<u>\$ 95,489</u>	<u>\$ 47,278</u>	<u>\$ 142,767</u>

The accompanying notes are an integral part of this statement.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Summary of Significant Accounting Policies - The Town of Dolores, Colorado's (the Town) financial statements are prepared in accordance with U.S. generally accepted accounting principals (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statement of Interpretations).

The following significant accounting policies were applied to the preparation of the accompanying financial statements.

Reporting Entity – Town of Dolores, Colorado is a statutory (non-home-rule) Town and serves as an administrative unit of the State of Colorado.

The Town follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Town is not financially accountable for any other organization, nor is the Town a component unit of any other primary governmental entity.

Fund Accounting – The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental Funds – are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the Town's major governmental funds.

General Fund – is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes and sales taxes.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Proprietary Funds—

Enterprise Funds – focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The Town's enterprise funds are:

Water Fund- is used to account for the financial transactions related to the water treatment and distribution operations of the Town.

Wastewater Fund- accounts for the sanitation services provided by the Town.

Basis of Presentation-

Town -wide Financial Statements- The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The Town -wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the Town-wide financial statements and the statements for governmental funds.

The Town -wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements- Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting – determines when transactions are recorded in the financial records and reported on the financial statements. Town-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues- Exchange and Non-exchange Transactions- Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, and certain grants.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Operating Income-Proprietary Funds- operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Deferred Revenue- arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgets and Budgetary Accounting – The Town is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (U.S. GAAP basis) as that used for accounting purposes, except for the Proprietary Funds, which are prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with U.S. GAAP.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the Budget Officer submits to the Town Board a proposed operating budget for the fiscal year commencing the following January 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to December 31, the budget is legally adopted through passage of adoption and appropriations resolutions.

Formal budgetary integration is employed as a management control device during the year.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Department directors are authorized to transfer budget amounts within the department. However, the Town Board must approve any revisions that alter the total expenditures of any department.

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

Cash and Cash Equivalents – for the purpose of the Statement of Cash Flows of the Enterprise Funds is considered to be all of the highly liquid investments with a maturity of six months or less.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Town-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the Town-wide statements of net assets and in the respective fund financial statements,

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated general fixed assets are valued at their estimated fair value on the date donated. The Town maintains a capitalization threshold of five thousand dollars.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Facilities	15 to 50 Years	15 to 50 Years
Equipment	5 to 15 Years	5 to 15 Years

Property Tax Revenue Recognition – Property taxes are billed and collected on behalf of the Town by the Dolores County Treasurer. The property taxes are levied and certified in December of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year. Secured property taxes are due in two equal installments on February 28 and June 15, and are delinquent after February 28 and June 15 respectively. The entire balance can be paid by April 30 without penalty. Property taxes levied are recorded as deferred revenues in the year levied, as they are not due until the following

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

year. An allowance for un-collectible taxes is not provided as the un-collectible amounts were determined to be negligible based upon an analysis of historical trends.

Compensated absences- Compensated absences arise from policies concerning vacation leave and personal days. Town employees receive 10 days of vacation per year for the first five years of employment. After five years, employees accrue fifteen days per year. Vacation accrues on the hire anniversary date. Employees accrue personal days at the rate of one day per month for a maximum accrual of 12 days per year. Employees may carryover up to 240 hours of vacation time and 25 percent of personal leave up to a maximum of 120 hours. As of December 31, 2016, an accrual of \$36,235 is reflected in the financial statements. This represents the amount of vacation and personal leave pay eligible for carryover to the next year.

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the Town -wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements.

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the Town's TABOR reserve for emergencies.

Committed- Amounts that can be used only for specific purposes determined by a formal action by the Town Board.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Assigned- Amounts that are designated by the Town Board for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures.

Unassigned- All amounts not included in other spendable classifications.

Use of Restricted Resources- When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less restrictive classifications- committed and then assigned fund balances before using unassigned fund balances.

Net Position- Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses- Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are sales related to water and sanitation services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Inter-fund Transactions- Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash and Investments – The Town maintains its cash in the form of deposits in financial institutions.

Deposits- The Colorado Public Deposit Protection Act (PDPA) governs the Town's cash deposits. The statutes specify eligible depositories for public cash deposits, which must be

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a fair market value at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in collateral pools.

At December 31, the carrying amount of the Town's deposits was \$379,399 and the bank balance was \$407,420. The Town's bank balances at December 31, 2016 and during the year then ended were entirely covered by FDIC insurance or pledged collateral held by the Town's agent bank in the name of governmental accounts of which the Town is a part.

Investments- Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

At December 31, 2016 the Town had investments in one local government investment pool, the Colorado Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to the provisions of C.R.S. Title 24, Article 75 and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. This type of investment is not categorized because it is not evidenced by securities that exist in physical or book form. COLOTRUST is rated AAA by Standard and Pools. At December 31, 2016 the COLOTRUST balance was \$603,762.

At December 31, 2016 the Town had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Investment pools					
Colostrust	\$ 603,762				
Federal Government backed securities and mortgages	510,780		\$ 510,780		
Total	<u>\$ 1,114,542</u>				

TOWN OF DOLORES, COLORADO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Capital Assets – Capital asset activity for the fiscal year ended December 31, 2016 follows:

	Balance Jan 1, 2016	Additions	Deletions	Balance Dec 31, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 134,741			\$ 134,741
Capital assets, being depreciated:				
Buildings	417,676			417,676
Improvements	2,230,784			2,230,784
Equipment and vehicles	583,477			583,477
Total capital assets being depreciated	<u>3,231,937</u>	<u>-</u>	<u>-</u>	<u>3,231,937</u>
Less accumulated depreciation	<u>(1,269,862)</u>	<u>\$ (110,749)</u>		<u>(1,380,611)</u>
Net capital assets being depreciated	1,962,075	(110,749)	-	1,851,326
Governmental Activities Capital Assets, net	<u>\$ 2,096,816</u>	<u>\$ (110,749)</u>	<u>\$ -</u>	<u>\$ 1,986,067</u>
Business Type Activities				
Capital assets, not being depreciated:				
Water rights	\$ 44,096			\$ 44,096
Capital assets being depreciated				
Improvements	6,080,293	\$ 203,769		6,284,062
Machinery and equipment	148,723			148,723
Total capital assets being depreciated	<u>6,229,016</u>	<u>203,769</u>	<u>-</u>	<u>6,432,785</u>
Less accumulated depreciation for:				
Improvements	(4,757,325)	(75,341)		(4,832,666)
Machinery and equipment	(134,989)	(4,481)		(139,470)
Total accumulated depreciation	<u>(4,892,314)</u>	<u>(79,822)</u>		<u>(4,972,136)</u>
Net capital assets being depreciated	1,336,702	123,947		1,460,649
Business Type Activities Capital Assets net	<u>\$ 1,380,798</u>	<u>\$ 123,947</u>	<u>\$ -</u>	<u>\$ 1,504,745</u>

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Depreciation expense was charged as a direct expense to the following governmental programs:

Governmental activities	
General government	\$ 1,510
Public works	102,367
Culture and recreation	6,872
Total depreciation government activities	<u>\$ 110,749</u>
Business type activities	
Water operations	\$ 29,381
Sewer operations	50,441
Total depreciation business type activities	<u>\$ 79,822</u>

Retirement Plans- In 1998, the Town adopted a Savings Incentive Match Plan for Employees of Small Employers under Internal Revenue Code section 408(p). Eligibility is limited to employees who have at least \$5,000 in compensation during any six month period preceding the calendar year. An eligible employee may make an election to have their pay reduced by a percentage each pay period. The total amount of the reduction in the employee's compensation is determined by the Internal Revenue Service annually. The Town pays a matching contribution to each employee's account, up to a limit of 3% of the employee's compensation for the calendar year. For the year ending December 31, 2016, the Town's matching contributions totaled \$6,833.

General Long-Term Debt- The Town has incurred the following long-term debt.

Governmental Activities:

Capital Lease- In 2012, the Town entered into a lease for a John Deere loader. The lease is payable in 62 monthly installments of \$2080 beginning in January of 2012 with a final payment of \$50,000 due in 2017. The lease is serviced by the General Fund and the equipment serves as collateral. All payment obligations on the lease are subject to annual appropriation by the Board of Trustees.

A summary of the minimum lease payments to maturity follows:

TOWN OF DOLORES, COLORADO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Year Ending December 31	Principal	Interest	Total
2017	\$ 49,894	\$ 106	\$ 50,000
Total	<u>\$ 49,894</u>	<u>\$ 106</u>	<u>\$ 50,000</u>

Business-type Activities:

Water Fund: The following items are obligations of and repaid through the Water Fund.

Note Payable- On November 4, 2002 the Town received \$91,908 in a loan as part of the Energy Impact Assistance Fund to upgrade the water system. The loan term is 15 years and bears interest at 5%. Annual payments of \$8,855 are due September 1 of each year beginning in September 2003. The following are the annual requirements to service this debt:

Year Ending December 31	Principal	Interest	Total
2017	\$ 8,433	\$ 422	\$ 8,855
Total	<u>\$ 8,433</u>	<u>\$ 422</u>	<u>\$ 8,855</u>

Note Payable- In July 2009 the Town received \$73,256 in a loan as part of the Energy Impact Assistance Fund to make upgrades to the Town water tank. The loan term is 10 years and bears interest at 5%. Annual payments of \$9,329 are due September 1 of each year beginning in September of 2009. The following are the annual requirements to service this debt:

Year Ending December 31	Principal	Interest	Total
2017	\$ 8,462	\$ 867	\$ 9,329
2018	8,884	444	9,328
Total	<u>\$ 17,346</u>	<u>\$ 1,311</u>	<u>\$ 18,657</u>

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Wastewater Fund: The following items are obligations and repaid through the Wastewater Fund:

Note Payable- On May 24, 2007, the Town received \$90,222 in a loan as part of the Energy Impact Assistance Fund to install additional sewer lines and manholes. The loan term is 10 years and bear interest at 5%. Annual payments of \$11,246 are due September 1 of each year beginning in 2007. The note was fully paid in 2016.

Changes in General Long-Term Debt- A summary of changes in general long-term debt follows:

	January 1, 2016	Additions	Deletions	December 31, 2016
Governmental Activities				
Capital lease	\$ 73,259		\$ (23,365)	\$ 49,894
Total Governmental Activities	<u>\$ 73,259</u>	<u>\$ -</u>	<u>\$ (23,365)</u>	<u>\$ 49,894</u>
Business-type Activities				
EIAF-November 2, 2002	\$ 16,464		\$ (8,031)	\$ 8,433
EIAF-May 24, 2007	10,710		(10,710)	-
EIAF-July 15, 2009	25,405		(8,059)	17,346
Total Business-type Activities	<u>\$ 52,579</u>	<u>\$ -</u>	<u>\$ (26,800)</u>	<u>\$ 25,779</u>

Annual requirements to amortize the long-term debt is as follows:

<u>Year Ending December 31,</u>	Governmental Activities	Business -type Activities
2017	\$ 50,000	\$ 18,184
2018		9,328
Total	<u>50,000</u>	<u>27,512</u>
Less Interest	<u>(106)</u>	<u>(1,733)</u>
Outstanding principal	<u>\$ 49,894</u>	<u>\$ 25,779</u>

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Inter-Fund Operating Transfers- consist of the following:

	<u>Transfer In</u>	<u>Transfer out</u>
General Fund	\$ 16,640	
Enterprise Funds		
Water Fund		\$ 8,320
Waste Water Fund		8,320
	\$ 16,640	\$ 16,640

The transfers were made to reimburse the General Fund for each fund's share of equipment costs.

Fund Balance Restrictions and Assignments – Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Town Board but are not spendable until appropriated. If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is Town policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned. The Town uses the following restrictions and assignments

Restricted

TABOR – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance restricted for TABOR consists of \$20,000 in the General Fund.

Assigned

Assigned for future expenditures – indicates anticipated fund balance available for appropriation in the next budget year. Fund balance assigned for future expenditures consists of \$155,632 in the General Fund.

Commitments and Contingent Liabilities – There appear to be no commitments or contingencies that would pose a threat of significant liability to the Town.

TOWN OF DOLORES, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Tax Spending, Revenue and Debt Limitations- Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

On the November 8, 1994 municipal election ballot, the voters authorized the Town, without any increase in property tax mill levies or sales and use tax rates, to increase its revenue and expenditure limitations during 1994 and each subsequent year to receive and expend State grants; and to receive and expend all sales tax, use tax and property tax revenues for capital projects and other basic municipal services without limiting in any year the amount of other revenue that may be collected and spent by the Town of Dolores. The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment. However, the Town has made certain interpretations of the amendment's language in order to determine its compliance.

Risk Management – The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town has purchased commercial insurance for such risks including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three years.

TOWN OF DOLORES, COLORADO
Required Supplementary Information

December 31, 2016

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedules
General Fund

TOWN OF DOLORES, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes				
General property taxes	\$ 82,093	\$ 82,093	\$ 82,028	\$ (65)
Specific ownership taxes	10,500	10,500	10,952	452
Delinquent tax and interest		-	484	484
Sales and use taxes	290,000	290,000	349,226	59,226
Severance taxes	3,500	3,500	4,867	1,367
Road and bridge fee	12,000	12,000	10,577	(1,423)
Franchise taxes	64,700	64,700	65,709	1,009
Total taxes	<u>462,793</u>	<u>462,793</u>	<u>523,843</u>	<u>61,050</u>
Licenses and permits				
Business licenses	4,600	4,600	4,800	200
Liquor licenses	1,879	1,879	4,273	2,394
Building permits	3,000	3,000	17,985	14,985
Development fees		-	1,610	1,610
Dog licenses	1,300	1,300	2,030	730
Total licenses and permits	<u>10,779</u>	<u>10,779</u>	<u>30,698</u>	<u>19,919</u>
Intergovernmental revenues				
Lottery funds	8,000	8,000	10,551	2,551
Grants		-	9,317	9,317
Highway users tax	27,500	27,500	29,530	2,030
Mineral leasing	31,000	31,000	76,341	45,341
Tobacco product taxes	1,200	1,200	1,200	-
Total intergovernmental revenues	<u>67,700</u>	<u>67,700</u>	<u>126,939</u>	<u>59,239</u>
Fines and forfeitures				
Court and dog fines	2,500	2,500	1,010	(1,490)
Total fines and forfeitures	<u>2,500</u>	<u>2,500</u>	<u>1,010</u>	<u>(1,490)</u>
Earnings on investments	<u>250</u>	<u>250</u>	<u>8,311</u>	<u>8,061</u>
Miscellaneous revenues	<u>20,225</u>	<u>20,225</u>	<u>79,515</u>	<u>59,290</u>
Total revenues	<u>564,247</u>	<u>564,247</u>	<u>770,316</u>	<u>206,069</u>

TOWN OF DOLORES, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures				
General government				
Salaries and benefits	\$ 101,008	\$ 101,008	\$ 98,118	\$ 2,890
Office	8,600	8,600	10,448	(1,848)
Subscriptions and dues	10,506	10,506	9,673	833
Town hall maintenance and supplies	6,750	6,750	10,526	(3,776)
Janitorial	2,400	2,400	2,400	-
Building inspector	4,000	4,000	6,340	(2,340)
Advertising	1,000	1,000	875	125
Utilities and trash removal	6,650	6,650	5,214	1,436
Attorney	12,000	12,000	8,444	3,556
Audit fees	5,000	5,000	5,000	-
Elections	5,000	5,000	3,410	1,590
Travel	2,000	2,000	1,282	718
Other charges and services	6,000	6,000	8,648	(2,648)
Miscellaneous	9,500	9,500	15,254	(5,754)
Memberships and donations	4,000	4,000	3,987	13
Insurance	5,598	5,598	5,666	(68)
Capital outlay	7,500	7,500	7,370	130
Total general government	197,512	197,512	202,655	(5,143)
Public works				
Salaries and benefits	100,003	100,003	97,138	2,865
Fuel	17,500	17,500	9,734	7,766
Parts and supplies	9,750	9,750	7,341	2,409
Equipment maintenance	20,000	20,000	8,203	11,797
Street maintenance	12,000	12,000	3,814	8,186
Utilities	30,600	30,600	28,365	2,235
Insurance	5,598	5,598	5,598	-
Miscellaneous	2,300	2,300	2,255	45
Capital outlay	40,000	40,000		40,000
Debt service				
Principal	23,365	23,365	23,365	-
Interest	1,595	1,595	1,596	(1)
Total public works	262,711	262,711	187,409	75,302
Public safety				
Other charges and services	160,529	160,529	159,529	1,000
Total public safety	160,529	160,529	159,529	1,000
Culture and recreation				
Salaries and benefits	9,000	9,000	4,751	4,249
Maintenance and supplies	13,500	13,500	14,594	(1,094)
Utilities	3,200	3,200	4,093	(893)
Total culture and recreation	25,700	25,700	23,438	2,262
Total expenditures	646,452	646,452	573,031	73,421
Other financing sources (uses)				
Operating transfers in	16,641	16,641	16,640	(1)
Total other financing sources (uses)	16,641	16,641	16,640	(1)
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	(65,564)	(65,564)	213,925	279,489
Fund balance, beginning of the year	272,232	272,232	611,619	339,387
Fund balance, end of the year	\$ 206,668	\$ 206,668	\$ 825,544	\$ 618,876

TOWN OF DOLORES, COLORADO
Other Supplementary Information

December 31, 2016

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedule- Enterprise fund-Water Fund

Budgetary Comparison Schedule- Enterprise fund-Wastewater Fund

TOWN OF DOLORES, COLORADO

Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual

Proprietary Fund

Enterprise Fund

Water Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		(Non GAAP Basis)	Variance
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Operating Revenues				
General water fees	\$ 207,162	\$ 207,162	\$ 231,670	\$ 24,508
Development fees	650	650	1,075	425
Water dock	16,000	16,000	16,314	314
Other		-	3,298	3,298
Total operating revenues	223,812	223,812	252,357	28,545
Operating Expenses				
Salaries and benefits	100,003	100,003	97,138	2,865
Office	2,600	2,600	1,533	1,067
Subscriptions, dues and permits	1,500	1,500	1,975	(475)
Audit fees	2,500	2,500	2,500	-
Laboratory services	2,500	2,500	2,455	45
Travel	600	600	393	207
Education	1,000	1,000	1,145	(145)
Operator	1,500	1,500	955	545
Insurance	5,598	5,598	5,598	-
Equipment maintenance	1,000	1,000		1,000
Facilities maintenance	2,200	2,200	1,015	1,185
Parts and supplies	10,000	10,000	10,109	(109)
Chemicals	5,000	5,000	5,228	(228)
Utilities	29,200	29,200	21,764	7,436
Miscellaneous	4,400	4,400	3,838	562
Capital outlay	30,000	30,000	32,960	(2,960)
Total Operating Expenses	199,601	199,601	188,606	10,995
Operating income (loss)	24,211	24,211	63,751	39,540
Non-Operating Revenue (Expenses)				
Operating transfers out	(8,320)	(8,320)	(8,320)	-
Grant revenue	13,000	13,000	12,704	(296)
Tap fees			10,500	10,500
Debt Service				
Principal	(16,090)	(16,090)	(16,090)	-
Interest	(2,093)	(2,093)	(1,825)	268
Total Non-Operating Revenue	(13,503)	(13,503)	(3,031)	10,472
Change in net position non GAAP basis	10,708	10,708	60,720	50,012
Add debt service-principal			16,090	16,090
Add capital outlay			32,960	32,960
Less depreciation expense			(29,381)	(29,381)
Change in net position	10,708	10,708	80,389	69,681
Net position beginning of the year	340,276	340,276	1,029,642	689,366
Net position end of the year	\$ 350,984	\$ 350,984	\$ 1,110,031	\$ 759,047

TOWN OF DOLORES, COLORADO
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Proprietary Fund
Enterprise Fund
Wastewater Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		(Non GAAP Basis)	Variance
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Operating Revenues				
General sewer fees	\$ 169,500	\$ 169,500	\$ 184,934	\$ 15,434
Discharge fees		-	3,000	3,000
Other			2,792	2,792
Total operating revenues	<u>169,500</u>	<u>169,500</u>	<u>190,726</u>	<u>21,226</u>
Operating Expenses				
Salaries and benefits	100,003	100,003	97,136	2,867
Office	2,300	2,300	912	1,388
Chemicals	1,500	1,500	5,366	(3,866)
Parts and supplies	3,500	3,500	1,384	2,116
Subscriptions, dues and permits	2,000	2,000	2,055	(55)
Audit fees	2,500	2,500	2,500	-
Laboratory services	3,500	3,500	2,628	872
Travel	400	400		400
Education	750	750	410	340
Insurance	5,598	5,598	5,597	1
Equipment maintenance	1,500	1,500		1,500
Facilities maintenance	100	100		100
Miscellaneous	7,050	7,050	2,773	4,277
Utilities	24,500	24,500	22,116	2,384
Capital outlay	185,900	185,900	170,809	15,091
Total Operating Expenses	<u>341,101</u>	<u>341,101</u>	<u>313,686</u>	<u>27,415</u>
Operating income (loss)	<u>(171,601)</u>	<u>(171,601)</u>	<u>(122,960)</u>	<u>48,641</u>
Non-Operating Revenue (Expenses)				
Operating transfers out	(8,320)	(8,320)	(8,320)	-
Tap fees	4,000	4,000	8,500	4,500
Grant revenue	84,500	84,500	87,274	2,774
Debt Service				
Principal	(10,710)	(10,710)	(10,710)	-
Interest	(536)	(536)	(357)	179
Total Non-Operating Revenue	<u>68,934</u>	<u>68,934</u>	<u>76,387</u>	<u>7,453</u>
Change in net position non GAAP basis	(102,667)	(102,667)	(46,573)	56,094
Add debt service-principal			10,710	10,710
Add capital outlay			170,809	170,809
Less depreciation expense			(50,441)	(50,441)
Change in net position	<u>(102,667)</u>	<u>(102,667)</u>	<u>84,505</u>	<u>187,172</u>
Net position beginning of the year	182,144	182,144	988,067	805,923
Net position end of the year	<u>\$ 79,477</u>	<u>\$ 79,477</u>	<u>\$ 1,072,572</u>	<u>\$ 993,095</u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town
	YEAR ENDING : December 2016

This Information From The Records Of (example - City of _ or County of _) Town of Dolores, Colorado	Prepared By: Majors and Haley P.C. Phone: 970-565-9521
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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)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	114,514
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)	168,104	c. Other Street Lights	22,026
4. Miscellaneous local receipts (from page 2)	20,327	d. Total (a. through c.)	22,026
5. Transfers from toll facilities		4. General administration & miscellaneous	28,407
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	164,947
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)	188,431	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	44,974	2. Notes:	
D. Receipts from Federal Government (from page 2)	76,341	a. Interest	1,596
E. Total receipts (A.7 + B + C + D)	309,746	b. Redemption	23,365
		c. Total (a. + b.)	24,961
		3. Total (1.c + 2.c)	24,961
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	189,908

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
I. Bonds (Refunding Portion)				
B. Notes (Total)	73,259		23,365	49,894

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	261,228	309,746	189,908	381,066	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2016

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		a. Interest on investments	147
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	157,152	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	10,952	g. Other Misc. Receipts	20,180
6. Total (1. through 5.)	168,104	h. Other	
c. Total (a. + b.)	168,104	i. Total (a. through h.)	20,327
	(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	29,530	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	10,577	d. Federal Transit Admin	
d. Other (Specify) - Severance Tax	4,867	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal Mineral Leasing	76,341
f. Total (a. through e.)	15,444	g. Total (a. through f.)	76,341
4. Total (1. + 2. + 3.f)	44,974	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
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: