



Town of Gilcrest, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2016

Town of Gilcrest, Colorado

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Town of Gilcrest, Colorado

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Independent Auditor's Report

Honorable Mayor and Members
of the Town Board of Trustees
Town of Gilcrest, 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 the Town of Gilcrest, Colorado (the "Town"), 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.

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 Gilcrest, 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 on pages 3 through 11 and the budgetary comparison information on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information on pages 39 through 42, the Local Highway Finance Report on pages 44 and 45, and the Schedule of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on page 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, the Local Highway Finance Report, and the Schedule of Federal Awards 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated July 19, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Anton Collins Mitchell LLP

Greeley, Colorado
July 19, 2017

Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016

This section of the annual financial report offers readers of the Town of Gilcrest's (the "Town") financial statements management's discussion and analysis of the Town's financial performance during the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Town's financial statements, which immediately follow this section.

Background Information

The Town was incorporated in 1912. The predominant funds are comprised of five basic funds; the General, Conservation Trust, Water, Sewer and Stormwater Funds.

On November 7, 1995, (retroactive to January 1, 1994) the taxpayers approved a ballot question to remove the TABOR limits that were imposed on the Town in 1992 and to remove the 5.5% property tax increase annual limitation.

Financial Highlights

- The Town financial status improved over the course of the 2016 fiscal year. Total net position increased 13.5 percent.
- General revenues account for \$372,368 or 20.7 percent of all revenues. The Town had \$1,428,098 in program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions during 2016.
- The Town had \$804,262 in expenses related to governmental activities, of which \$491,856 were offset by program specific charges for services and operating grants and contributions. General revenues (property, specific ownership, sales and use and other taxes) of \$319,563 and other revenues of \$13,724 plus carryover reserves were adequate to provide for all other governmental activities.
- Outlays for capital assets were primarily comprised of the improvements to the utility system and for the general government operations. See the capital assets section of this management discussion and analysis for more information.
- The Town's outstanding debt at December 31, 2016, consists of \$108,400 in general obligation bonds, \$115,664 in Energy Impact Assistance Loans, and \$1,039,187 in a Colorado Water Resources and Power Development Authority Loan.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The governmental funds statements tell how basic services were financed in the short-term, as well as what remains for future spending.

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 and other supplementary information that further explains and supports the financial statements with a comparison of the Town's budget versus actual expenditures for the year.

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

**Table 1
Organization of Town's Annual Financial Report**

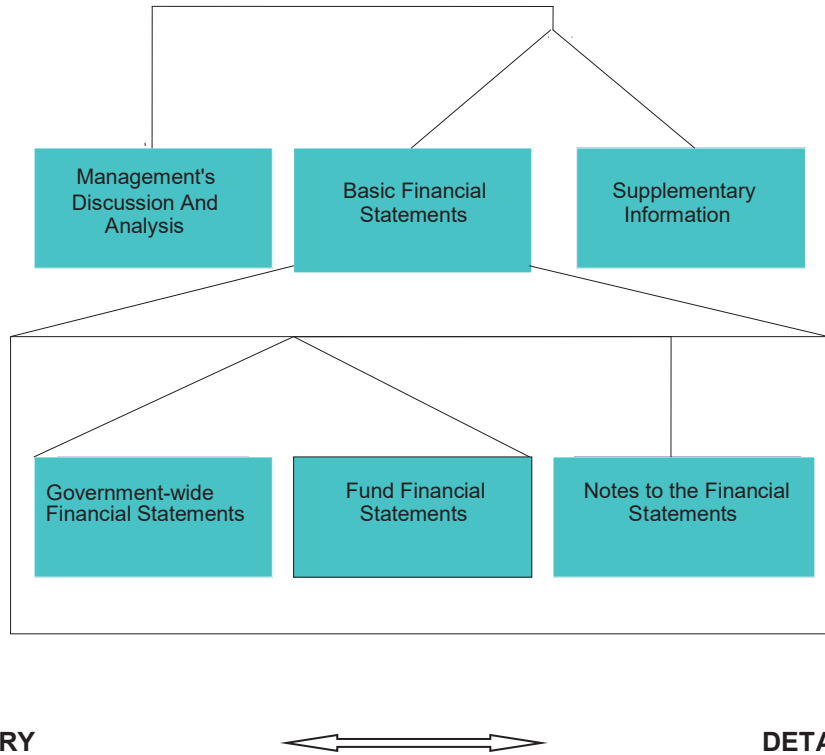


Table 2, displayed on the following page summarizes the major features of the Town's financial statements, including the portion of the Town's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund financial statements, found in the basic financial statements.

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

**Table 2
Major Features of the Town and Fund Financial Statements**

	Town Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town	The activities of the Town that are not proprietary or fiduciary.	Activities the Town operates similar to private businesses: water and sewer services
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic-resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the Town of Gilcrest finances, in a manner similar to a private-sector business. The statement of net position includes all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows. 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.

These statements provide both short-term and long-term information about the Town's overall financial status.

Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. To assess the Town's overall health, you need to consider additional non-financial factors such as the condition of buildings and equipment.

The statement of activities presents information showing how the government'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 are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). Included in governmental activities are most of the Town's basic services such as general government, public safety, and public works.

These statements can be found on pages 12-14 of this report.

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. The Town has governmental and proprietary funds.

- *Governmental funds:* Most of the Town's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the Town's programs. Because this information does not encompass the long-term focus of the Town's statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The Town of Gilcrest maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The General Fund is considered a major fund of the Town.

The basic governmental fund financial statements can be found on pages 15-17 of this report.

- *Proprietary Funds:* Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Gilcrest uses enterprise funds to account for its water, sewer and stormwater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer and storm water operations, all of which are considered to be major funds of the Town of Gilcrest.

The basic proprietary fund statements can be found on pages 18-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Town and fund financial statements. The notes to the financial statements can be found on pages 22-38 of this report.

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. This includes the budget comparison schedules for the General, Conservation Trust, Water, Sewer and Stormwater Funds.

Financial Analysis of the Town as a Whole

Net position and Changes in Net Position

The Town's combined net position was larger on December 31, 2016, than it was the year before, increasing 13.5 percent to \$4,754,020. Table 3 provides a summary of the Town's net position at December 31, 2016, with comparative totals for 2015.

**Table 3
Condensed Statement of Net Position**

Table 4 provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

	Governmental Activities	Business-Type Activities	Total 2016	Total 2015
Current assets	\$ 769,387	\$ 1,661,678	\$ 2,431,065	\$ 2,450,052
Restricted assets	-	58,222	58,222	50,434
Capital assets	439,858	3,704,257	4,144,115	3,282,911
 Total assets	 1,209,245	 5,424,157	 6,633,402	 5,783,397
 Current liabilities	 28,777	 416,878	 445,655	 55,600
Long-term liabilities	8,871	1,268,337	1,277,208	1,381,469
 Total liabilities	 37,648	 1,685,215	 1,722,863	 1,437,069
 Deferred inflows of resources	 130,878	 25,641	 156,519	 156,519
 Net investment in capital assets	 439,858	 3,232,344	 3,672,202	 1,914,970
Restricted	63,134	845,560	908,694	1,193,364
Unrestricted	537,727	(364,603)	173,124	1,081,475
 Total net position	 \$ 1,040,719	 \$ 3,713,301	 \$ 4,754,020	 \$ 4,189,809

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

**Table 4
Changes in Net position from Operating Results**

	Governmental Activities	Business-Type Activities	Total 2016	Total 2015
<u>Program revenues</u>				
Charges for services	\$ 181,722	\$ 497,360	\$ 679,082	\$ 568,781
Operating grants and contributions	310,134	438,882	749,016	157,695
<u>General revenue</u>				
Property taxes	130,916	25,617	156,533	134,634
Specific ownership taxes	9,825	-	9,825	8,979
Sales and use taxes	109,285	15,612	124,897	118,878
Franchise taxes	25,009	-	25,009	25,591
Other taxes	44,528	-	44,528	80,964
Earnings on investments	5,091	652	5,743	1,642
Other	5,833	-	5,833	19,091
Transfers	2,800	(2,800)	-	-
<u>Total revenues</u>	<u>825,143</u>	<u>975,323</u>	<u>1,800,466</u>	<u>1,116,255</u>
<u>Expenses</u>				
General government	149,092	-	149,092	162,650
Public safety	131,393	-	131,393	140,235
Public works	412,440	-	412,440	183,574
Health and welfare	33,666	-	33,666	20,131
Culture, recreation, and parks	77,671	-	77,671	75,115
Water	-	239,072	239,072	232,288
Sewer	-	172,798	172,798	237,630
Stormwater	-	20,123	20,123	20,411
<u>Total expenses</u>	<u>804,262</u>	<u>431,993</u>	<u>1,236,255</u>	<u>1,072,034</u>
<u>Change in net position</u>	<u>\$ 20,881</u>	<u>\$ 543,330</u>	<u>\$ 564,211</u>	<u>\$ 44,221</u>

Property, specific ownership, sales and use, franchise and other taxes account for 20 cents for every dollar raised. Another 38 cents came from charges for services, operating and capital grants and contributions raised 41 cents, and earnings on investments and other revenues account for 1 cent. The Town expenses predominantly relate to police protection, building inspection, maintenance of the Town's streets and infrastructure, general government and recreation.

Governmental Activities

The increase in net position for governmental activities was \$20,881 in 2016.

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

The governmental funds monitor cash resources and expenditures. There was \$36,447 of capital outlay during 2016 in the governmental funds. Capital outlay is a significant expenditure and is not considered an expense on the government-wide statement of activities. Rather, these costs are expensed over time as depreciation expense.

As reflected on the reconciliation of governmental funds revenues and expenditures to the government-wide statement of activities page 17, the net difference between capital outlays, depreciation expenses, and the net book value of assets disposed was \$8,496 for 2016.

The statement of activities shows the cost of program services and the related charges for services and grant offsetting those costs. Table 5 reflects each program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted property taxes.

**Table 5
Net Cost of Governmental Activities**

	2016		2015
	Total Cost of Services	Net Cost of Services	Net Cost of Services
General government	\$ 149,092	\$ (142,375)	\$ (154,985)
Public safety	131,393	(109,200)	(122,307)
Public works	412,440	(11,499)	41,562
Health and welfare	33,666	(33,666)	(20,131)
Culture, recreation and parks	77,671	(15,666)	(45,773)
Total	<u>\$ 804,262</u>	<u>\$ (312,406)</u>	<u>\$ (301,634)</u>

Financial Analysis of the Town's General Fund

The General Fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the Town. This fund provides for functional areas of the organization - administration, public safety, public works, health and welfare and culture and recreation. The General Fund also provides for such other items as insurance, utilities, and other costs the Town incurs. The primary funding source for the General Fund is sales and use taxes and taxation of real property. Other sources of income for the General Fund include earnings on investments, charges for services, intergovernmental revenues and other miscellaneous sources. The primary projects or program efforts for establishing needed funding during 2016 were:

1. Salaries and benefits for all existing full time personnel of the Town
2. Public safety services
3. Normal operational costs of the Town
4. Public works services
5. Recreation activities

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

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 Town's final budget for the General Fund anticipated that expenditures would exceed revenues by \$101,043 due to the expending of one-time sources for certain projects. The actual results for the year show revenues exceeding expenditures by \$21,186.

It should be noted that the Town's budget format is designed to establish and monitor divisional functions of the Town's operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- General Government
- Public Safety
- Public Works
- Health and Welfare
- Culture, Recreation and Parks
- Debt Service
- Capital Outlay
- The Town must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2016, the Town's TABOR reserve amounted to \$24,307.

Capital Assets and Debt Administration

Capital Assets

By the end of 2016, the Town had invested \$4,144,115, net of depreciation, in a broad range of capital assets, including land, buildings, site improvements, vehicles and other equipment (See Note 5 on pages 32-33). This amount represents an increase of \$861,204 or 26.2 percent from last year. Additional information on the Town's capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$44,944 in the governmental funds and \$89,779 in the enterprise funds.

**Table 6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and water rights	\$ 37,514	\$ 37,514	\$ 683,075	\$ 683,075	\$ 720,589	\$ 720,589
System enhancement fees	-	-	137,500	137,500	137,500	137,500
Construction in Process	-	-	959,479	-	959,479	-
Land improvements	71,114	74,844	-	-	71,114	74,844
Buildings and improvements	59,906	63,562	57	192	59,963	63,754
Street and improvements	107,753	115,276	-	-	107,753	115,276
Vehicles and equipment	163,571	157,158	23,939	33,987	187,510	191,145
Utility systems	-	-	1,900,207	1,979,803	1,900,207	1,979,803
Total	\$ 439,858	\$ 448,354	\$ 3,704,257	\$ 2,834,557	\$ 4,144,115	\$ 3,282,911

**Town of Gilcrest, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Long-Term Debt

At year-end the Town had \$108,400 in general obligation bonds, a reduction of 11.9 percent from the previous year, \$1,035,187 in CWRPDA loan, a reduction of 4.7 percent from the previous year, and \$115,664 in energy impact assistance loans which was reduced by 6.8 percent during 2016. In 2016 the Town paid off the \$35,000 balance in revenue bonds. More detailed information about the Town's long-term liabilities is presented in Note 6 to the financial statements.

**Table 7
Outstanding Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ -	\$ -	\$ 108,400	\$ 123,000	\$ 108,400	\$ 123,000
Revenue bonds	-	-	-	35,000	-	35,000
Energy impact assistance loans	-	-	115,664	124,055	115,664	124,055
CWRPDA loan	-	-	1,035,187	1,085,886	1,035,187	1,085,886
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,259,251</u>	<u>\$ 1,367,941</u>	<u>\$ 1,259,251</u>	<u>\$ 1,367,941</u>

Factors Bearing on the Town's Future

At the time these financial statements were prepared and audited, the Town was aware of the following circumstances that could significantly affect its financial health in the future:

The Town's budget for 2017 anticipates general property tax revenue of \$154,543.

The Town will continue performing extensive repairs and upgrades to the wastewater treatment plant in 2017. Funding for the project is being accomplished with a combination of a 1%, 20 year loan from the State Revolving Fund and a \$595,500 grant from the DOLA Energy Impact Assistance Fund. The loan will be repaid from revenues in the Sewer Fund.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, investors, 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 Gilcrest at, P.O. Box 128, Gilcrest, Colorado 80623.

Basic Financial Statements

Town of Gilcrest, Colorado
Statement of Net Position
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ -	\$ 265,737	\$ 265,737
Cash with county treasurer	-	455	455
Investments	782,438	99,852	882,290
Accounts and taxes receivables	168,665	89,968	258,633
Grant receivable	-	222,154	222,154
Internal balances	(194,330)	194,330	-
Prepaid items	12,614	1,844	14,458
Restricted cash and cash equivalents	-	58,222	58,222
Loan proceeds receivable	-	787,338	787,338
Capital assets:			
Not being depreciated	37,514	1,780,054	1,817,568
Being depreciated, net of accumulated depreciation	402,344	1,924,203	2,326,547
Total assets	1,209,245	5,424,157	6,633,402
Liabilities			
Accounts payable	27,943	407,836	435,779
Accrued wages payable	792	1,485	2,277
Accrued payroll taxes payable	42	342	384
Accrued interest payable	-	7,215	7,215
Noncurrent liabilities:			
Compensated absences	8,871	9,086	17,957
Due within one year	-	75,418	75,418
Due in more than one year	-	1,183,833	1,183,833
Total liabilities	37,648	1,685,215	1,722,863
Deferred inflows of resources			
Unearned revenue	130,878	25,641	156,519
Total deferred inflows of resources	130,878	25,641	156,519
Net position			
Net investment in capital assets	439,858	3,232,344	3,672,202
Restricted for:			
Emergencies	24,307	-	24,307
Debt service	-	58,222	58,222
Parks and recreation	38,827	-	38,827
Capital projects	-	787,338	787,338
Unrestricted	537,727	(364,603)	173,124
Total net position	\$ 1,040,719	\$ 3,713,301	\$ 4,754,020

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

Town of Gilcrest, Colorado
Statement of Activities
Year Ended December 31, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities:				
General government	\$ 149,092	\$ 6,717	\$ -	\$ -
Public safety	131,393	22,193	-	-
Public works	412,440	102,904	298,037	-
Health and welfare	33,666	-	-	-
Culture, recreation and parks	77,671	49,908	12,097	-
Total government activities	804,262	181,722	310,134	-
Business-type activities:				
Water	239,072	235,809	-	-
Sewer	172,798	233,108	-	438,882
Stormwater	20,123	28,443	-	-
Total business-type activities	431,993	497,360	-	438,882
Total primary government	\$ 1,236,255	\$ 679,082	\$ 310,134	\$ 438,882

General revenues

Taxes:

Property taxes levied for general purposes
Property taxes levied for debt services
Specific ownership taxes
Sales and use taxes
Franchise taxes
Other taxes

Earnings on investments

Other revenues

Transfers

Total general revenues

Changes in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (142,375)	\$ -	\$ (142,375)
(109,200)	-	(109,200)
(11,499)	-	(11,499)
(33,666)	-	(33,666)
(15,666)	-	(15,666)
(312,406)	-	(312,406)
-	(3,263)	(3,263)
-	499,192	499,192
-	8,320	8,320
-	504,249	504,249
(312,406)	504,249	191,843

130,916	-	130,916
-	25,617	25,617
9,825	-	9,825
109,285	15,612	124,897
25,009	-	25,009
44,528	-	44,528
5,091	652	5,743
5,833	-	5,833
2,800	(2,800)	-
333,287	39,081	372,368
20,881	543,330	564,211
1,019,838	3,169,971	4,189,809
\$ 1,040,719	\$ 3,713,301	\$ 4,754,020

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

Town of Gilcrest, Colorado
Balance Sheet
Governmental Funds
December 31, 2016

	General	Conservation Trust (Nonmajor)	Total Governmental Funds
Assets			
Investments	\$ 680,238	\$ 102,200	\$ 782,438
Accounts and taxes receivable	168,665	-	168,665
Prepaid items	12,505	109	12,614
Totals assets	\$ 861,408	\$ 102,309	\$ 963,717
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 27,943	\$ -	\$ 27,943
Due to other funds	130,863	63,467	194,330
Accrued wages payable	792	-	792
Accrued payroll taxes payable	27	15	42
Total liabilities	159,625	63,482	223,107
Deferred inflows of resources			
Unearned revenue - property taxes	130,878	-	130,878
Total deferred inflows of resources	130,878	-	130,878
Fund balances			
Nonspendable	12,505	109	12,614
Restricted	24,307	38,718	63,025
Assigned	162,327	-	162,327
Unassigned	371,766	-	371,766
Total fund balances	570,905	38,827	609,732
Total liabilities, deferred inflows of resources and fund balances	\$ 861,408	\$ 102,309	\$ 963,717

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

Fund balances of governmental funds	\$ 609,732
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements.

Capital assets	\$ 1,484,219	
Less: accumulated depreciation	<u>(1,044,361)</u>	439,858

Accrued compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements.	(8,871)
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Total net position of governmental activities	\$ 1,040,719
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The accompanying notes are an integral part of these financial statements.

Town of Gilcrest, Colorado
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

	General	Conservation Trust (Nonmajor)	Total Governmental Funds
Revenues			
Taxes	\$ 319,563	\$ -	\$ 319,563
Licenses and permits	30,993	-	30,993
Charges for services	128,776	-	128,776
Fines and forfeitures	21,953	-	21,953
Intergovernmental	298,037	12,097	310,134
Earnings on investments	4,451	640	5,091
Miscellaneous revenue	5,833	-	5,833
Total revenues	809,606	12,737	822,343
Expenditures			
Current:			
General government	138,397	-	138,397
Public safety	125,561	-	125,561
Public works	389,957	-	389,957
Health and welfare	33,666	-	33,666
Culture, recreation and parks	61,192	8,181	69,373
Capital outlay	36,447	-	36,447
Total expenditures	785,220	8,181	793,401
Excess of revenues over expenditures	24,386	4,556	28,942
Other financing sources (uses)			
Transfers in	62,200	-	62,200
Transfers out	(59,400)	-	(59,400)
Total other financing sources (uses)	2,800	-	2,800
Net change in fund balance	27,186	4,556	31,742
Fund balances at beginning of year	543,719	34,271	577,990
Fund balances at end of year	\$ 570,905	\$ 38,827	\$ 609,732

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

Town of Gilcrest, Colorado
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances with the Government-wide Statement of Activities
Year Ended December 31, 2016

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

Total net change in fund balances - governmental funds.	\$	31,742
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlay during the period.

Capital outlay	\$	36,447		
Depreciation expense		(44,943)	\$	(8,496)

Increase in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected as an expense on the government fund statement of revenue, expenditures and changes in fund balances.		(2,365)
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Change in net position of governmental activities	\$	20,881
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The accompanying notes are an integral part of these financial statements.

Town of Gilcrest, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2016

	Water Fund	Sewer Fund	Stormwater Fund	Totals
Assets				
Current assets				
Equity in pooled cash and cash equivalents	\$ 144,810	\$ 64,449	\$ 56,478	\$ 265,737
Cash with county treasurer	455	-	-	455
Investments	50,762	49,090	-	99,852
Accounts and taxes receivable	52,893	33,552	3,523	89,968
Grant receivable	-	222,154	-	222,154
Prepaid items	1,020	755	69	1,844
Due from other funds	194,330	-	-	194,330
Total current assets	444,270	370,000	60,070	874,340
Noncurrent assets				
Restricted cash and cash equivalents	19,614	38,608	-	58,222
Loan proceeds receivable	-	787,338	-	787,338
Capital assets				
Land and water rights	554,703	47,575	80,797	683,075
Construction in progress	-	959,479	-	959,479
System enhancement fee	137,500	-	-	137,500
Buildings and improvements	30,019	3,600	-	33,619
Utility system	1,672,933	1,209,899	651,182	3,534,014
Equipment	52,232	60,324	-	112,556
Less accumulated depreciation	(910,263)	(771,075)	(74,648)	(1,755,986)
Total capital assets, net	1,537,124	1,509,802	657,331	3,704,257
Total noncurrent assets	1,556,738	2,335,748	657,331	4,549,817
Total assets	2,001,008	2,705,748	717,401	5,424,157
Liabilities				
Current liabilities				
Accounts payable	23,059	384,764	13	407,836
Accrued wages payable	758	722	5	1,485
Accrued payroll taxes payable	171	155	16	342
Accrued interest payable	4,539	2,676	-	7,215
Current portion of bonds and loans payable	19,262	56,156	-	75,418
Total current liabilities	47,789	444,473	34	492,296
Noncurrent liabilities				
Bonds and loans payable, net of current	157,542	1,026,291	-	1,183,833
Compensated Absences	4,601	3,872	613	9,086
Total noncurrent liabilities	162,143	1,030,163	613	1,192,919
Total liabilities	209,932	1,474,636	647	1,685,215
Deferred inflows of resources				
Unearned revenue - property taxes	25,641	-	-	25,641
Total deferred inflows of resources	25,641	-	-	25,641
Net position				
Net investment in capital assets	1,360,320	1,214,693	657,331	3,232,344
Restricted for debt service	19,614	38,608	-	58,222
Unrestricted	385,501	(22,189)	59,423	422,735
Total net position	\$ 1,765,435	\$ 1,231,112	\$ 716,754	\$ 3,713,301

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

Town of Gilcrest, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2016

	Water Fund	Sewer Fund	Stormwater Fund	Totals
Operating revenues				
Charges for services	\$ 235,809	\$ 233,108	\$ 28,443	\$ 497,360
Total operating revenues	235,809	233,108	28,443	497,360
Operating expenses				
Operations and maintenance	132,403	74,748	7,099	214,250
Administration	51,057	49,014	-	100,071
Depreciation	42,714	34,041	13,024	89,779
Total operating expenses	226,174	157,803	20,123	404,100
Operating income	9,635	75,305	8,320	93,260
Nonoperating revenues (expenses)				
Property tax	25,617	-	-	25,617
Sales tax	-	15,612	-	15,612
Earnings on investments	328	324	-	652
Interest expense	(12,898)	(14,995)	-	(27,893)
Total nonoperating revenues (expenses)	13,047	941	-	13,988
Income before contributions and transfers	22,682	76,246	8,320	107,248
Grants and contributions	-	438,882	-	438,882
Transfers in	6,106	-	10,000	16,106
Transfers out	(6,400)	(6,400)	(6,106)	(18,906)
Changes in net position	22,388	508,728	12,214	543,330
Net position at beginning of year	1,743,047	722,384	704,540	3,169,971
Net position at end of year	\$ 1,765,435	\$ 1,231,112	\$ 716,754	\$ 3,713,301

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

Town of Gilcrest, Colorado
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	Water Fund	Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities				
Cash received from customers	\$ 242,815	\$ 231,698	\$ 28,732	\$ 503,245
Cash payments to suppliers	(97,806)	(63,252)	(1,580)	(162,638)
Cash payments to employees	(63,932)	(58,102)	(5,953)	(127,987)
Net cash flows from operating activities	81,077	110,344	21,199	212,620
Cash flows from non-capital financing activities				
Property taxes	25,617	-	-	25,617
Change in interfund balances	(168,734)	13,811	(2,406)	(157,329)
Sales taxes	-	15,612	-	15,612
Transfers in	6,106	-	10,000	16,106
Transfers out	(6,400)	(6,400)	(6,106)	(18,906)
Net cash flows from non-capital financing activities	(143,411)	23,023	1,488	(118,900)
Cash flows from capital and related financing activities				
Grants and contributions	-	216,728	-	216,728
Change in restricted cash and cash equivalents	30,820	(38,608)	-	(7,788)
Change in loan proceeds receivable	-	302,662	-	302,662
Acquisitions of capital assets	-	(583,500)	-	(583,500)
Principal paid on long-term debt	(53,278)	(55,412)	-	(108,690)
Interest paid on long-term debt	(12,898)	(13,331)	-	(26,229)
Net cash flows capital and from related financing activities	(35,356)	(171,461)	-	(206,817)
Cash flows from investing activities				
Purchase of investments	(50,762)	(318)	-	(51,080)
Earnings on investments	328	324	-	652
Net cash flows from investing activities	(50,434)	6	-	(50,428)
Net change in cash and cash equivalents	(148,124)	(38,088)	22,687	(163,525)
Cash and cash equivalents at beginning of year	292,934	102,537	33,791	429,262
Cash and cash equivalents at end of year	\$ 144,810	\$ 64,449	\$ 56,478	\$ 265,737

Town of Gilcrest, Colorado
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	Water Fund	Sewer Fund	Stormwater Fund	Total
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 9,635	\$ 75,305	\$ 8,320	\$ 93,260
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	42,714	34,041	13,024	89,779
Changes in operating assets and liabilities				
Accounts and taxes receivable	7,006	(1,410)	289	5,885
Prepaid items	(626)	(531)	(69)	(1,226)
Accounts payable	22,798	3,971	(238)	26,531
Accrued wages payable	(583)	(402)	(105)	(1,090)
Accrued payroll taxes payable	(919)	(1,459)	(205)	(2,583)
Accrued compensated absences payable	1,052	829	183	2,064
Net cash flows from operating activities	\$ 81,077	\$ 110,344	\$ 21,199	\$ 212,620
Non-cash investing, capital and financing activities				
Capital assets acquired with accounts payable	\$ -	\$ 375,979	\$ -	\$ 375,979

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

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

1. Summary of Significant Accounting Policies

Form of Organization

The Town of Gilcrest, Colorado (the “Town”) was founded in 1912 as a statutory town. The Town’s major operations include general government; public safety; public works; culture, parks and recreation; health and welfare; and water, sewer and stormwater utilities.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Town’s accounting policies are described below.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the Town.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The following is the Town's major governmental fund:

General Fund - The 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.

The other governmental fund (nonmajor fund) is a special revenue fund (Conservation Trust) and has been established to account for revenues derived from specific earmarked revenue sources which finance specific activities as required by law or administrative action.

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts invested in capital assets, restricted for debt service and rate stabilization loan reserves, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses)

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Town's major enterprise funds include the Water, Sewer, and Stormwater funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- By October 15, the Town Administrator submits to the Town Board of Trustees, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors through passage of a formal resolution.
- The Town legally adopts budgets for all of the funds. Budgets for the general and special revenue funds are adopted on a basis consistent with GAAP. Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis, where payments for capital assets and principal amounts of debt are treated as expenditures.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Board of Trustees. All appropriations lapse at year end.

The following table summarizes the individual fund budgeted expenditures for 2016, as originally adopted, and as revised:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General Fund	\$ 649,717	\$ -	\$ 649,717
Conservation Trust Fund	25,895	-	25,895
Business type fund:			
Water Fund	265,745	-	265,745
Sewer Fund	1,464,574	-	1,464,574
Stormwater Fund	30,066	-	30,066
Total funds	\$ 2,435,997	\$ -	\$ 2,435,997

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

Cash and Cash Equivalents

To improve cash management, cash received by the Town is pooled and invested. Individual fund integrity is maintained through the Town's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The Town considers all highly liquid investments with original maturities of three months or less, including deposits in a pooled investment fund, to be cash equivalents. Overdrawn balances in pooled cash accounts are treated by the Town as interfund liabilities, payable to the fund deemed to have made the loan.

Restricted Cash

The amount restricted in the Water Fund is in compliance with the 1980 revenue bond reserve requirements as described in Note 2. The amount restricted in the Sewer Fund is in compliance with the 2015 revenue loan reserve requirements as described in Note 2.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the balance sheet.

Bond Premium and Debt Issuance Costs

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Debt issuance costs are recognized during the period of issuance.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., streets and roads, bridges, water lines, storm-water drainage, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

Description	Governmental Activities	Business-Type Activities
Land	N/A	N/A
Water rights	N/A	N/A
System enhancement fee	N/A	N/A
Construction in progress	N/A	N/A
Land improvements	40 Years	40 Years
Buildings and improvements	40 Years	10 - 40 Years
Utility systems	N/A	25 - 50 Years
Streets	20 Years	20 Years
Vehicles and equipment	5 - 15 Years	15 Years

Compensated Absences

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the Town will compensate the employees for the benefits earned. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay. There is no payment for sick leave upon termination.

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$8,871 for the governmental activities and \$9,086 for the business-type activities on the statement of net position at December 31, 2016.

On the governmental fund financial statements, where applicable, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. At December 31, 2016, there is no accrual in the fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 and the noncurrent portion of long-term liabilities 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, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts. The General Fund is the only fund that would report a positive amount in unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amount that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

At December 31, 2016, fund balances are composed of the following:

	General Fund	Conservation Trust Fund	Total
Nonspendable:			
Prepaid items	\$ 12,505	\$ 109	\$ 12,614
Restricted:			
Emergencies	24,307	-	24,307
Parks and recreation	-	38,718	38,718
Assigned:			
Future budgetary needs	162,327	-	162,327
Unassigned:	371,766	-	371,766
Total fund balances	\$ 570,905	\$ 38,827	\$ 609,732

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the Town by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the Town.

In the fund financial statements, property taxes are recognized in the year for which levied provided they become available and measurable.

Interfund Transactions

Interfund services provided and used 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 interfund transactions are reported as transfers.

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2016, the Town had deposits with financial institutions with a carrying amount of \$322,968. The bank balances with the financial institutions was \$347,660, of which \$255,113 was covered by federal depository insurance. The remaining balance of \$92,547 was collateralized with securities held by the financial institutions' agents but not in the Town's name.

At December 31, 2016, the Town had cash and cash equivalent balances, including restricted cash, as follows:

Cash on hand	\$ 991
Cash with county treasurer	455
Cash deposits	322,968
Total cash and cash equivalents	\$ 324,414

Cash and cash equivalents, by statement, are as follows:

Statement of net position:	
Cash and cash equivalents	\$ 265,737
Cash with county treasurer	455
Restricted cash	58,222
Total	\$ 324,414

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the Town may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

- Local government investment pools

The Town's policy is to hold investments until maturity.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on recurring basis represent the amount invested with a local government investment pool, with a fair value \$882,290 as of December 31, 2016, measured at the fair value of the investment pool's share price multiplied by the number of shares held (Level 2).

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the Town would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a specific policy for custodial credit risk. As of December 31, 2016, the Town had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust, discussed below.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pools

At December 31, 2016, the Town had invested \$882,290 in COLOTRUST (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents in the Water Fund are \$19,614 as established by Ordinance #1979-2 to be used to prevent default in the payment of the water revenue bonds and interest thereon. Restricted cash and cash equivalents in the Sewer Fund are \$38,608 as established by the 2015 revenue bonds to be used to prevent default in the payment of the sewer revenue bonds and interest thereon.

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

3. Receivables

Receivables at December 31, 2016, consisted of the following:

Types	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 140,278	\$ 45,063	\$ 185,341
Trade accounts	9,327	44,145	53,472
Intergovernmental	18,660	760	19,420
Other	400	-	400
Total	\$ 168,665	\$ 89,968	\$ 258,633

4. Individual Fund Interfund Transfers

Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	Transfers In	Transfers Out
Governmental funds:		
Major fund		
General	\$ 62,200	\$ (59,400)
Proprietary funds:		
Major funds		
Water	6,106	(6,400)
Sewer	-	(6,400)
Stormwater	10,000	(6,106)
Total	\$ 78,306	\$ (78,306)

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

5. Capital Assets

A summary of changes in governmental activities capital assets for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 37,514	\$ -	\$ -	\$ 37,514
Total capital assets, not being depreciated	37,514	-	-	37,514
Capital assets, being depreciated:				
Land improvements	149,189	-	-	149,189
Buildings and improvements	135,201	-	-	135,201
Vehicles and equipment	498,654	36,447	-	535,101
Streets	627,214	-	-	627,214
Total capital assets, being depreciated	1,410,258	36,447	-	1,446,705
Less accumulated depreciation for:				
Land improvements	(74,345)	(3,730)	-	(78,075)
Buildings and improvements	(71,639)	(3,656)	-	(75,295)
Vehicles and equipment	(341,496)	(30,034)	-	(371,530)
Streets	(511,938)	(7,523)	-	(519,461)
Total accumulated depreciated	(999,418)	(44,943)	-	(1,044,361)
Total capital assets, being depreciated, net	410,840	(8,496)	-	402,344
Governmental activities capital assets, net	\$ 448,354	\$ (8,496)	\$ -	\$ 439,858

Depreciation expense for governmental activities has been allocated to various activities as follows:

Governmental Activities:	
General government	\$ 10,695
Public safety	3,467
Public works	22,483
Culture, recreation and parks	8,298
Total depreciation expense - governmental activities	\$ 44,943

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

A summary of changes in business-type activities capital assets for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 137,736	\$ -	\$ -	\$ 137,736
Water rights	545,339	-	-	545,339
System enhancement fee	137,500	-	-	137,500
Construction in progress	-	959,479	-	959,479
Total capital assets, not being depreciated	820,575	959,479	-	1,780,054
Capital assets, being depreciated:				
Buildings and improvements	33,619	-	-	33,619
Equipment	131,985	-	19,429	112,556
Utility systems	3,568,757	-	34,743	3,534,014
Total capital assets, being depreciated	3,734,361	-	54,172	3,680,189
Less accumulated depreciation for:				
Buildings and improvements	(33,427)	(135)	-	(33,562)
Equipment	(97,998)	(10,048)	19,429	(88,617)
Utility systems	(1,588,954)	(79,596)	34,743	(1,633,807)
Total accumulated depreciation	(1,720,379)	(89,779)	54,172	(1,755,986)
Total capital assets, being depreciated, net	2,013,982	(89,779)	-	1,924,203
Total business-type activities capital assets, net	\$ 2,834,557	\$ 869,700	\$ -	\$ 3,704,257

Depreciation expense was charged to function or programs of the Town's business-type activities as follows:

Business-type Activities:	
Water	\$ 42,714
Sewer	34,041
Stormwater	13,024
Total depreciation expense - business-type activities	\$ 89,779

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

6. Long-Term Debt

Business-type Activities:

2004 Energy Impact Assistance Loan ("EIAF")

On September 1, 2004, the Town executed a \$90,000 promissory note with the State of Colorado, Department of Local Affairs to make improvements to the Town's sewer system. The note is due in annual installments of \$7,312, principal and interest, at 5.0% through September 1, 2024. The Town agrees to establish rates and charges for the services of the sewer system in an amount sufficient to manage, operate and maintain, in an efficient and economical manner, the sewer system.

2009 Energy Impact Assistance Loan ("EIAF")

On June 16, 2009, the Town executed a \$90,000 promissory note with the State of Colorado, Department of Local Affairs to make improvements to the Town's water system. The note is due in annual installments of \$7,282, principal and interest, at 5.0% through September 1, 2029. The Town agrees to establish rates and charges for the services of the water system in an amount sufficient to manage, operate and maintain, in an efficient and economical manner, the potable water system.

1980 Revenue Bond

In 1980, the Town issued a \$216,000 water revenue bond. The bond constituted an irrevocable lien (but not necessarily an exclusive such lien) upon the net revenues of the water system. The bond was issued to improve the Town's water system and is subject to redemption prior to maturity at the option of the Town in the amounts of \$1,000 or any multiple thereof, in inverse order of their due date. The interest rate on this bond was 5% and was due in principal installments of \$10,000 in 2016 increasing to \$12,000 on December 1, 2018. During 2016 this bond was paid in full.

1993 General Obligation Bonds

In 1993, the Town issued \$300,000 of general obligation bonds. The bonds were issued to construct, enlarge and improve the Town's water system. The bonds are due in principal installments of \$12,900 in 2016 increasing to \$21,100 on October 28, 2022. The interest rate on these bonds is 6.125%.

2015 Colorado Water Resources and Power Development Authority Loan ("CWRPDA")

On June 30, 2015, the Town executed a loan agreement totaling \$1,909,000 with the Colorado Water Resources and Power Development Authority to make improvements and upgrades to the Town's wastewater treatment facility. The loan accrues interest at 1.00% and is payable in semi-annual principal and interest payments, beginning on November 1, 2016, with a maturity date of May 1, 2035. The loan is secured by the net revenues of the ownership and operation of the system, as defined within the Agreement. The loan was recorded as loan proceeds receivable. At December 31, 2016, the Town had drawn \$50,699 from the loan.

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

Changes in long-term debt for the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
2004 EIAF loan	\$ 51,973	\$ -	\$ (4,713)	\$ 47,260	\$ 4,949
2009 EIAF loan	72,082	-	(3,678)	68,404	3,862
1980 water revenue bond	35,000	-	(35,000)	-	-
1993 general obligation bond	123,000	-	(14,600)	108,400	15,400
2015 CWRPDA loan	1,085,886	-	(50,699)	1,035,187	51,207
Accrued compensated absences	7,022	9,656	(7,592)	9,086	-
Total	\$1,374,963	\$ 9,656	\$ (116,282)	\$1,268,337	\$ 75,418

The following table represents future debt service requirements on the business-type activity debt as December 31, 2016:

Year	Principal	Interest	Total
2017	\$ 75,418	\$ 26,231	\$ 101,649
2018	77,372	24,764	102,136
2019	79,352	23,264	102,616
2020	81,462	21,732	103,194
2021	83,601	20,163	103,764
2022-2026	342,726	76,354	419,080
2027-2031	308,448	39,084	347,532
2032-2035	210,872	8,472	219,344
Total	\$ 1,259,251	\$ 240,064	\$ 1,499,315

7. Rate Maintenance

Sewer Fund

Pursuant to the 2015 CWRPDA loan, the Town must establish, maintain and enforce rates and charges for services rendered by the water system sufficient to create income and revenue each year, which pay maintenance and operation expenses of the system and cover the principal and interest payments of the water bond as they become due.

The following calculation shows the Town has complied with the rate maintenance provision of this loan agreement.

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

Operating revenues	\$ 233,108	
Less operating expenses, excluding depreciation	<u>(123,762)</u>	
Net revenue as defined in the bond agreement		109,346
2016 principal due	50,699	
2016 interest due	<u>10,372</u>	
	61,071	
	x110%	67,178
Amount the current year revenues were in excess of the 2015 loan agreement.		\$ 42,168

8. Pledged Revenues

The Town has pledged future water customer revenues, net of specified operating expenses, to repay the \$90,000 2009 Energy Impact Assistance Loan. The proceeds were used to make water system improvements and are payable through 2029. Annual principal and interest payments on this debt is expected to require less than 50% of net revenues as defined in the debt agreements. Total principal and interest remaining to be paid on this debt is \$94,665. Principal and interest paid for the current year and total customer revenues were \$44,042 and \$235,809, respectively.

The Town has pledged future sewer customer revenues, net of specified operating expenses, to repay \$90,000 in sewer system energy impact assistance loan issued in 2004. The proceeds were used to make sewer system improvements and are payable through 2024. Annual principal and interest payments on the loan are expected to require approximately 75% of net revenues of the sewer fund. Total principal and interest remaining to be paid on the bonds is \$58,497. Principal and interest paid for the current year and total customer revenues were \$8,976 and \$233,108, respectively.

9. Lease Revenue

The Town leases several plots of land to companies to place towers under operating lease agreements for five to ten year initial terms through 2030. The total lease revenue received as of December 31, 2016, was approximately \$33,000. The future minimum rent payments to be received are as follows:

Year		
2017	\$	29,256
2018		30,134
2019		31,038
2020		13,506
2021		13,911
2022 - 2026		76,073
2027 - 2030		69,493
	\$	263,411

Town of Gilcrest
Notes to Financial Statements
December 31, 2016

10. Contingency

Risk Management

The Town is self insured for property and liability insurance. In order to mitigate risk, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency ("CIRSA"). CIRSA has a legal obligation for claims against their members to the extent that funds are available in their annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although they are not legally required to do so. Additionally, the Town may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect during 2016 limit CIRSA's per occurrence exposure to \$1,000,000 for property coverage, \$1,000,000 for excess property coverage and provide coverage to specified upper limits. The excess of loss contract for workers' compensation coverage limits CIRSA's per occurrence exposure to \$500,000 for 2016 and provides coverage to statutory limits for the State of Colorado.

The Town's 2016 contributions were \$14,438 and \$5,866 for the property and casualty pool and the workers' compensation pool. The share of surplus at December 31, 2016, amounted to approximately \$11,575 and \$12,227 for the property and casualty pool and the workers' compensation pool, respectively.

The ultimate liability to the Town resulting from claims not covered by CIRSA is not presently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the Town's financial statements.

11. Taxes, Spending, and Debt Limitations

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserve (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary of fringe benefit increase. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Town has restricted \$24,307 for this purpose.

On November 7, 1995, the voting citizens of the Town of Gilcrest authorized the Town (retroactive to January 1, 1994) to retain all of the revenues from all sources generated during 1994 and subsequent years, and spend the same as a voter-approved revenue change as an exception to limits which would otherwise apply for each of said years. This effectively removed all revenue and spending limits imposed by TABOR.

Town of Gilcrest, Colorado
Notes to Financial Statements
December 31, 2016

12. Violation of State Statutes

During the year ended December 31, 2016, actual expenditures exceeded the budgeted appropriations by \$194,903 in the General Fund which may be a violation of state statutes.

13. Subsequent Events

The Town evaluated subsequent events through July 19, 2017 the date these financial statements were available to be issued. No transactions or events that would require adjustment to the financial statements or note disclosures were identified.

Required Supplementary Information

Town of Gilcrest, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 246,161	\$ 246,161	\$ 319,563	\$ 73,402
Licenses and permits	8,648	8,648	30,993	22,345
Charges for services	68,750	68,750	128,776	60,026
Fines and forfeitures	22,800	22,800	21,953	(847)
Intergovernmental	167,535	167,535	298,037	130,502
Earnings on investments	500	500	4,451	3,951
Miscellaneous revenue	34,280	34,280	5,833	(28,447)
Total revenues	548,674	548,674	809,606	260,932
Expenditures				
Current:				
General government	165,521	165,521	138,397	27,124
Public safety	123,911	123,911	125,561	(1,650)
Public works	235,687	235,687	389,957	(154,270)
Health and welfare	33,550	33,550	33,666	(116)
Culture, recreation, and parks	91,048	91,048	61,192	29,856
Capital outlay	-	-	36,447	(36,447)
Total expenditures	649,717	649,717	785,220	(135,503)
Excess (deficiency) of revenues over expenditures	(101,043)	(101,043)	24,386	125,429
Other financing sources (uses)				
Transfers in	-	-	62,200	62,200
Transfers out	-	-	(59,400)	(59,400)
Total other financing sources (uses)	-	-	2,800	2,800
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (101,043)	\$ (101,043)	27,186	\$ 128,229
Fund balance at beginning of year			543,719	
Fund balance at end of year			<u>\$ 570,905</u>	

See accompanying independent auditor's report.

Other Supplementary Information

Town of Gilcrest, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Conservation Trust Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
State lottery funds	\$ 9,000	\$ 9,000	\$ 12,097	\$ 3,097
Earnings on investments	100	100	640	540
Total revenues	9,100	9,100	12,737	3,637
Expenditures				
Operating expenses	6,695	6,695	6,653	42
Well augmentation	1,700	1,700	1,528	172
Capital outlay	17,500	17,500	-	17,500
Total expenditures	25,895	25,895	8,181	17,714
Net change in fund balance	\$ (16,795)	\$ (16,795)	4,556	\$ 21,351
Fund balance at beginning of year			34,271	
Fund balance at end of year			\$ 38,827	

See accompanying independent auditor's report.

Town of Gilcrest, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Water Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Operating revenues				
Charges for services	\$ 190,000	\$ 190,000	\$ 235,809	\$ 45,809
Operating expenses				
Operations and maintenance	124,822	124,822	132,403	(7,581)
Administration	59,757	59,757	51,057	8,700
Total operating expenses	184,579	184,579	183,460	1,119
Operating income	5,421	5,421	52,349	46,928
Other revenues (expenses)				
Property taxes	22,355	22,355	25,617	3,262
Earnings on investments	-	-	328	328
Transfers in	6,106	6,106	6,106	-
Transfers out	-	-	(6,400)	(6,400)
Interest expense	(12,888)	(12,888)	(12,898)	(10)
Principal paid	(53,278)	(53,278)	(53,278)	-
Capital outlay	(15,000)	(15,000)	-	15,000
Total other revenues (expenses)	(52,705)	(52,705)	(40,525)	12,180
Excess (deficiency) of revenues over expenditures	\$ (47,284)	\$ (47,284)	11,824	\$ 59,108
Reconciliation to GAAP basis				
Depreciation			(42,714)	
Principal paid			53,278	
Change in net position - GAAP basis			22,388	
Net position at beginning of year			1,743,047	
Net position at end of year			\$ 1,765,435	

See accompanying independent auditor's report.

Town of Gilcrest, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Sewer Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Operating revenues				
Charges for services	\$ 201,600	\$ 201,600	\$ 233,108	\$ 31,508
Total operating revenues	201,600	201,600	233,108	31,508
Operating expenses				
Operations and maintenance	148,031	148,031	74,748	73,283
Administration	58,326	58,326	49,014	9,312
Total operating expenses	206,357	206,357	123,762	82,595
Operating income (loss)	(4,757)	(4,757)	109,346	114,103
Other revenues (expenses)				
Grants and contributions	595,500	595,500	438,882	(156,618)
Sales taxes	12,000	12,000	15,612	3,612
Earnings on investments	50	50	324	274
Loan proceeds	618,290	618,290	302,662	(315,628)
Principal paid	(29,999)	(29,999)	(55,412)	(25,413)
Interest expense	(8,028)	(8,028)	(14,995)	(6,967)
Transfers out	(6,400)	(6,400)	(6,400)	-
Capital outlay	(1,213,790)	(1,213,790)	(959,479)	254,311
Total other revenues (expenses)	(32,377)	(32,377)	(278,806)	(246,429)
Deficiency of revenues over expenditures	\$ (37,134)	\$ (37,134)	(169,460)	\$ (132,326)
Reconciliation to GAAP basis				
Depreciation			(34,041)	
Loan proceeds			(302,662)	
Capital outlay			959,479	
Principal paid			55,412	
Change in net position - GAAP basis			508,728	
Net position at beginning of year			722,384	
Net position at end of year			\$ 1,231,112	

See accompanying independent auditor's report.

Town of Gilcrest, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Stormwater Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 19,000	\$ 19,000	\$ 28,443	\$ 9,443
Total revenues	19,000	19,000	28,443	9,443
Expenses				
Public works	8,960	8,960	7,099	1,861
Total expenses	8,960	8,960	7,099	1,861
Operating income	10,040	10,040	21,344	11,304
Other revenues (expenses)				
Transfers in	10,000	10,000	10,000	-
Transfers out	(6,106)	(6,106)	(6,106)	-
Capital outlay	(15,000)	(15,000)	-	15,000
Total other revenues (expenses)	(11,106)	(11,106)	3,894	15,000
Excess of revenues over expenditures	\$ (1,066)	\$ (1,066)	25,238	\$ 26,304
Reconciliation to GAAP basis				
Depreciation			(13,024)	
Change in net position - GAAP basis			12,214	
Net position at beginning of year			704,540	
Net position at end of year			\$ 716,754	

See accompanying independent auditor's report.

State Compliance

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Gilcrest	
		YEAR ENDING : 12/31/2016	
This Information From The Records Of Town of Gilcrest:		Prepared By: Trudy Peterson Phone: 970-737-2426	
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
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:	0
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	0
2. General fund appropriations	45,244	b. Snow and ice removal	0
3. Other local imposts (from page 2)	13,402	c. Other	0
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	0
a. Bonds - Original Issues		6. Total (1 through 5)	0
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)	58,646	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	6,615	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	65,261	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	0
IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)			
	Opening Debt	Amount Issued	Closing Debt
A. Bonds (Total)			0
1. Bonds (Refunding Portion)			
B. Notes (Total)			0
V. LOCAL ROAD AND STREET FUND BALANCE			
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements
	3,810	65,261	0
		D. Ending Balance	E. Reconciliation
		69,071	0
Notes and Comments:			

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): 12/31/2016	

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	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	13,402	g. Other Misc. Receipts	
6. Total (1. through 5.)	13,402	h. Other	
c. Total (a. + b.)	13,402	i. Total (a. through h.)	0
(Carry forward to page 1)		(Carry forward to page 1)	
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	0	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	6,615	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	6,615	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	6,615	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:	
Specific Ownership	9,825
County Road & Bridge	3,577
Total Other Local Imposts	13,402

Reports to Government Agencies



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable Mayor and Members
of the Town Board of Trustees
Town of Gilcrest, Colorado

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gilcrest, Colorado (the "Town"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated July 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or Corrective Action Plan. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anton Collins Mitchell LLP

Greeley, Colorado
July 19, 2017



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members
of the Town Board of Trustees
Town of Gilcrest, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Town of Gilcrest, Colorado's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2016. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.



Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-004 that we consider to be a significant deficiency.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anton Collins Mitchell LLP

Greeley, Colorado
July 19, 2017

Town of Gilcrest, Colorado
Schedule of Findings and Questioned Costs
December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs:

CFDA/Contract Number

66.458

Name of Federal Program or Cluster

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Town of Gilcrest, Colorado
Schedule of Findings and Questioned Costs
December 31, 2016

Section II - Financial Statement Findings

2016-001 - Accounting Discipline

Material Weakness in Internal Control over Financial Reporting

Condition: During the course of our fieldwork we proposed a number of material adjustments to the Town's accounting records due to lack of reconciliation of accounts prior to our fieldwork. The areas that required adjustment were: cash, receivables, capital assets/outlay, accounts payable, payroll related liabilities, debt, net fund balance, revenue, and expenditure accounts.

Criteria: Accounting tasks, such as monthly reconciliations, play a key role in proving the accuracy of accounting data and information included in the financial statements.

Questioned Costs: None.

Effect: Material journal entries were proposed to the District's accounting records.

Cause: Lack of reconciliation on account balances prior to fieldwork, primarily relating to cash, receivables, capital assets/outlay, accounts payable, payroll related liabilities, debt, net fund balance, revenue, and expenditure accounts, contributed to these adjustments.

Recommendation: We strongly recommend that the Town establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have been typically been made at year-end, if at all, and performing more frequent reviews of the general ledger throughout the year, including making all necessary adjustments.

Management's Response and Corrective Action Plan: The Town will seek further training of staff to establish more effective review and reconciliation policies. Additionally, the Town will utilize a detailed checklist to assist in month-end closing procedures.

2016-002 - Financial Statement Close Process

Significant Deficiency in Internal Control over Financial Reporting

Condition: A tailored, detailed, financial statement close checklist is not consistently utilized by responsible individuals and reviewed by the Town Administrator.

Criteria: The Town should have a system of internal controls to allow management or employees, in the normal course of performing assigned functions, to prevent, or detect and correct, errors in financial reporting on a timely basis.

Questioned Costs: None.

Effect: Due to the lack of a tailored, detailed, financial statement close checklist, the Town did not identify several material adjustments to the accounting records.

Cause: The Town does not have a tailored, detailed, financial statement close checklist, that is consistently utilized by responsible individuals and reviewed by the Town Administrator.

Town of Gilcrest, Colorado
Schedule of Findings and Questioned Costs
December 31, 2016

Recommendation: We recommend that the Town adopt a formal financial statement close process that is tailored to the Town, which identifies specific accounts that require periodic reconciliations; assigns functions to responsible individuals; outlines deadlines for completing specific functions; and indicates those who are responsible for reviewing and approving individual reconciliations and reports. This process may be documented in the form of a "Closing Checklist" where the completion of these procedures may be evidenced by initials and dates of the responsible individuals. The Closing Checklist should also include the date and initials of the Town Administrator showing the review of the process.

Management's Response and Corrective Action Plan: In 2016, the Town developed a Closing Checklist of required reconciliation and closing requirements. The Checklist outlines functions to be completed each month during the reconciliation and closing procedures and assigns functions to responsible individuals. Additionally, the Checklist identifies accounts that require periodic reconciliations; outlines deadlines for completing specific functions; and indicates those who are responsible for reviewing and approving individual reconciliations and reports. There is a signoff for each area of the Checklist and the Town Administrator will review the checklists as part of the review of journal entries and other reviews required each month.

2016-003 – Segregation of Duties

Significant Deficiency in Internal Control over Financial Reporting

Condition: Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

Criteria: The Town should have a system of internal controls to allow management or employees, in the normal course of performing assigned functions, to prevent, or detect and correct, errors in financial reporting on a timely basis.

Questioned Costs: None.

Effect: The same individual is responsible for a majority of the accounting functions, which could lead to accounts being materially misstated or the potential for fraud to occur.

Cause: The Town is a smaller organization with limited staff.

Recommendation: We recommend that the Town take steps to improve checks and balances. Where possible, the Town Board of Trustees may need increase responsibilities to improve segregation of duties.

Management's Response and Corrective Action Plan: Selected accounting functions, such as accounts payable, will be assigned to the Utility Billing Clerk as she continues her training and is ready to take on additional responsibilities. The Town Administrator will discuss increasing responsibilities with the Town Board to improve segregation of duties.

Town of Gilcrest, Colorado
Schedule of Findings and Questioned Costs
December 31, 2016

Section III - Federal Award Findings and Questioned Costs

2016-004 - Significant Deficiency

Federal Program 66.458 - Capitalization Grants for Clean Water State Revolving Funds

Compliance Requirement: Cash Management and Reporting

Condition: During our audit procedures over monies received from federal and state grants, there were several small discrepancies in the requests for reimbursements submitted by the Town. The discrepancies were minor and did not result in funding being lost by the Town. However, the discrepancies could have been corrected if they were properly reviewed before submitting for reimbursement.

Criteria: The Town should have a system of internal controls to allow management or employees, in the normal course of performing assigned functions, to prevent, or detect and correct, errors in financial reporting on a timely basis.

Questioned Costs: None.

Effect: There was no monetary affect, either against the Town or in favor of the Town.

Cause: Inadequate review over all federal and state requests for reimbursement.

Recommendation: We recommend that a review of reporting occurs before reporting is sent to outside parties to ensure accuracy.

Management's Response and Corrective Action Plan: The Town Administrator will review requests for reimbursements in the future.

Section IV - Prior Year Findings

There were no findings in the prior year that were required to be reported.

Town of Gilcrest, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2016 Federal Expenditures
Department of the Interior			
Passed through Colorado Department of Local Affairs			
Distribution of Receipts to State and Local			
Governments	15.227	EIAF 7712	438,883
Total Department of Agriculture			438,883
Environmental Protection Agency			
Passed through Colorado Water Resources & Power Development Authority			
Capitalization Grants for Clean Water State			
Revolving Funds	66.458	W15F359	399,798
Total Environmental Protection Agency			399,798
Total Expenditures of Federal Awards			\$ 838,681

See accompanying Independent Auditor's Report.

Town of Gilcrest, Colorado
Notes to Schedule of Expenditures of Federal Awards
December 31, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Town of Gilcrest, Colorado (the "Town") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allocable or are limited as to reimbursement. The Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Subrecipients

There were no subrecipients of federal awards during the year ended December 31, 2016.



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(970) 737-2427 fax
www.townofgilcrest.org

Corrective Action Plan December 31, 2016

Auditor Finding 2016-001 - Accounting Discipline (Material Weakness)

During the course of our fieldwork we proposed a number of material adjustments to the Town's accounting records due to lack of reconciliation of accounts prior to our fieldwork. The areas that required adjustment were: cash, receivables, capital assets/outlay, accounts payable, payroll related liabilities, debt, net fund balance, revenue, and expenditure accounts.

We strongly recommend that the Town establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have been typically been made at year-end, if at all, and performing more frequent reviews of the general ledger throughout the year, including making all necessary adjustments.

Town Planned Corrective Action

The Town will seek further training of staff to establish more effective review and reconciliation policies. Additionally, the Town will utilize a detailed checklist to assist in month-end closing procedures.

Town Responsible Party

Trudy Peterson, Town Manager

Town Planned Implementation Date

December 31, 2017

Auditor Finding 2016-002 - Financial Statement Close Process (Significant Deficiency)

A tailored, detailed, financial statement close checklist is not consistently utilized by responsible individuals and reviewed by the Town Administrator.

We recommend that the Town adopt a formal financial statement close process that is tailored to the Town, which identifies specific accounts that require periodic reconciliations; assigns functions to responsible individuals; outlines deadlines for completing specific functions; and indicates those who are responsible for reviewing and approving individual reconciliations and reports. This process may be documented in the form of a "Closing Checklist" where the completion of these procedures may be evidenced by initials and dates of the responsible individuals. The Closing Checklist should also include the date and initials of the Town Administrator showing the review of the process.

Town Responsible Party

Trudy Peterson, Town Administrator

Town Planned Implementation Date

December 31, 2017

**Auditor Finding 2016-003 - Segregation of Duties
(Significant Deficiency)**

Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

We recommend that the Town take steps to improve checks and balances. Where possible, the Town Board of Trustees may need increase responsibilities to improve segregation of duties.

Town Planned Corrective Action

Selected accounting functions, such as accounts payable, will be assigned to the Utility Billing Clerk as she continues her training and is ready to take on additional responsibilities. The Town Administrator will discuss increasing responsibilities with the Town Board to improve segregation of duties.

Town Responsible Party

Trudy Peterson, Town Administrator

Town Planned Implementation Date

December 31, 2017

**Auditor Finding 2016-004 - Significant Deficiency
Federal Program 66.458 - Capitalization Grants for Clean Water State Revolving Funds
Compliance Requirement: Cash Management and Reporting**

During our audit procedures over monies received from federal and state grants, there were several small discrepancies in the requests for reimbursements submitted by the Town. The discrepancies were minor and did not result in funding being lost by the Town. However, the discrepancies could have been corrected if they were properly reviewed before submitting for reimbursement.

We recommend that a review of reporting occurs before reporting is sent to outside parties to ensure accuracy.

Town Planned Corrective Action

The Town Administrator will review requests for reimbursements in the future.

Town Responsible Party

Trudy Peterson, Town Administrator

Town Planned Implementation Date

July 31, 2017