

TOWN OF GRAND LAKE, COLORADO

Financial Statements

December 31, 2016



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TOWN OF GRAND LAKE COLORADO

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Katie Nicholls	Town Clerk

TOWN OF GRAND LAKE COLORADO

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Grand Lake, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Grand Lake, Colorado as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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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, and each major fund of the Town of Grand Lake, Colorado, as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Grand Lake, Colorado's financial statements as a whole. The Supplementary Information and Other Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The Supplementary Information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Duggio & Associates, P.C.

March 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF GRAND LAKE, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended December 31, 2016. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Town's assets exceeded its liabilities by \$7,475,415 (net position) for the fiscal year reported.
- Total net position is comprised of the following:

Net investment in capital assets in the amount of \$4,600,579 including property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.

Net position of \$81,551 is restricted for parks and open space and emergency reserves.

Net position of \$2,793,285, which includes committed funds for attainable housing and the cemetery, represents the portion available to maintain the Town's continuing obligations to citizens.

- The Town's governmental fund (the General Fund) reports a total ending fund balance of \$1,454,841 this year. This compares to the prior year ending fund balance of \$1,314,197, an increase of \$140,644 during the current year. In 2016, \$442,260 of the remaining unassigned General Fund balance was assigned to the 2017 budget.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available. All applicable tables will present comparative data for fiscal year 2016 versus fiscal year 2015.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the ***Statement of Net Position***. This presents information that includes all of the Town's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall fiscal health of the Town would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Town infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the ***Statement of Activities***, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish the governmental activities of the Town that are principally supported by sales and use taxes from the business-type activities that are intended to recover all, or a significant portion, of their costs through user fees and charges. Governmental activities include general government, public safety, public works, parks and recreation, community services, and economic development. Business-type activities, through established Enterprise Funds, include the Water Department, the Marina, and the Pay-As-You-Throw ("PAYT") trash system.

The government-wide financial statements are presented in a later section of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The Town has two types of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different, with fund financial statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability, focusing on the use of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The three Town proprietary funds are classified as Enterprise Funds. The Enterprise Funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the governmental activities of the Town as described above.

The basic financial statements for the three enterprise funds are presented in a later section of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are included in a later section of this report.

Supplementary Information and Other Information

Budget to actual comparisons for the enterprise funds are presented in the supplementary section of this report as well as the State of Colorado Local Highway Finance Report.

Financial Analysis of the Town as a Whole

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's *combined* net position at fiscal year-end is \$7,475,415. The following table provides a summary of the Town's net position for 2016, compared to the 2015 net position of \$6,991,256.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current Assets	\$ 1,925,546	\$ 1,757,118	\$ 1,546,285	\$ 1,252,383	\$ 3,471,831	\$ 3,009,501
Capital Assets	<u>3,688,625</u>	<u>3,636,864</u>	<u>1,304,326</u>	<u>1,376,940</u>	<u>4,992,951</u>	<u>5,013,804</u>
Total Assets	<u>5,614,171</u>	<u>5,393,982</u>	<u>2,850,611</u>	<u>2,629,323</u>	<u>8,464,782</u>	<u>8,023,305</u>
Liabilities:						
Current Liabilities	202,383	271,937	39,831	5,734	242,214	277,671
Noncurrent Liabilities	<u>413,339</u>	<u>435,052</u>	<u>33,413</u>	<u>32,575</u>	<u>446,752</u>	<u>467,627</u>
Total Liabilities	<u>615,722</u>	<u>706,989</u>	<u>73,244</u>	<u>38,309</u>	<u>688,966</u>	<u>745,298</u>
Deferred Inflows of Resources	<u>300,401</u>	<u>286,751</u>	-	-	<u>300,401</u>	<u>286,751</u>
Net Position:						
Net Investment in Capital Assets	3,296,253	3,135,700	1,304,326	1,376,940	4,600,579	4,512,640
Restricted	81,551	75,432	-	-	81,551	75,432
Unrestricted	<u>1,320,244</u>	<u>1,189,110</u>	<u>1,473,041</u>	<u>1,214,074</u>	<u>2,793,285</u>	<u>2,403,184</u>
Total Net Position	<u>\$ 4,698,048</u>	<u>\$ 4,400,242</u>	<u>\$ 2,777,367</u>	<u>\$ 2,591,014</u>	<u>\$ 7,475,415</u>	<u>\$ 6,991,256</u>

The largest portion of the Town's net position (62%) reflects its net investment of \$4,600,579 in capital assets less the related debt used to acquire some of those assets that is still outstanding. The Town's total net position has increased about 7% since 2015.

The Town continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The Town's current ratio of 14:1 is an indicator of a strong financial position. In order to prepare for large ongoing projects in 2017 and have a proactive eye to emergency preparedness, the Town made minimal investments in capital projects in 2016. The Town continued engineering/surveying work and sought bids for the East Inlet boat ramp and dock project which will be partially funded by Conservation Trust Funds through the Grand County Board of County Commissioners as well as a portion of the Town's own Conservation Trust Funds. The Town contracted with Alfred Benesch & Company to commence the design work and prepare for

rehabilitation/construction of the W. Portal Bridge. As construction costs have escalated, the Town had pursued additional funding in the hopes this project can still be completed in 2017.

The Town reported a net position increase of \$297,806 for governmental activities. The Water Enterprise net position increased \$22,329 reflecting increased water sales. The net position increase of \$146,240 for the Marina Enterprise evidences an increase in pontoon boat rentals, pedal boat rentals and tour revenues. The PAYT Enterprise saw a net position increase of \$17,784 after its sixth full year of operations. Depreciation was \$163,525 for the Water Enterprise, a noticeable increase over 2015 due to reevaluating the useful life of Town owned water meters and adjusting said useful life from 30 years to 10 years. Marina Enterprise depreciation was \$28,638 evidencing the new boats we have put into use recently. The PAYT Enterprise does not have any depreciable assets, but is considering a capital expenditure for a commercial compactor due to the very rapid increase in usage of this facility.

The following table provides a summary of the Town's changes in net position for 2016, with a comparison to 2015.

	Changes in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Charges for Services	\$ 189,326	\$ 78,113	\$ 878,455	\$ 776,047	\$ 1,067,781	\$ 854,160
Grants	133,092	100,050	2,500	6,180	135,592	106,230
Tap Fees	-	-	16,467	29,033	16,467	29,033
Taxes	1,620,374	1,632,406	-	-	1,620,374	1,632,406
Interest	6,679	6,351	4,046	2,338	10,725	8,689
Gain(Loss) on Disposal of Assets	-	-	17,000	9,750	17,000	9,750
Other	34,878	21,218	-	-	34,878	21,218
Total Revenues	<u>1,984,349</u>	<u>1,838,138</u>	<u>918,468</u>	<u>823,348</u>	<u>2,902,817</u>	<u>2,661,486</u>
Expenses:						
General Government	666,175	619,671	-	-	666,175	619,671
Public Safety	180,495	219,187	-	-	180,495	219,187
Public Works	554,325	558,437	-	-	554,325	558,437
Grand Lake Center	146,848	28,455	-	-	146,848	28,455
Parks	118,642	125,073	-	-	118,642	125,073
Interest	20,058	19,150	-	-	20,058	19,150
Total General Gov't	<u>1,686,543</u>	<u>1,569,973</u>	<u>-</u>	<u>-</u>	<u>1,686,543</u>	<u>1,569,973</u>
Water	-	-	541,308	474,965	541,308	474,965
Marina	-	-	165,781	136,436	165,781	136,436
PAYT	-	-	25,026	22,614	25,026	22,614
Total Business-type	<u>-</u>	<u>-</u>	<u>732,115</u>	<u>634,015</u>	<u>732,115</u>	<u>634,015</u>
Total Expenses	<u>1,686,543</u>	<u>1,569,973</u>	<u>732,115</u>	<u>634,015</u>	<u>2,418,658</u>	<u>2,203,988</u>
Change in Net Position	297,806	268,165	186,353	189,333	484,159	457,498
Beginning Net Position	4,400,242	4,132,077	2,591,014	2,401,681	6,991,256	6,533,758
Ending Net Position	<u>\$ 4,698,048</u>	<u>\$ 4,400,242</u>	<u>\$ 2,777,367</u>	<u>\$ 2,591,014</u>	<u>\$ 7,475,415</u>	<u>\$ 6,991,256</u>

GOVERNMENTAL REVENUES

The Town relies heavily on sales and use taxes to support governmental operations. In 2016, sales and use taxes equaled 65% of total governmental revenues for the Town, down 6% from the 2015 figure of 71%. Overall, general government revenues are up 8% when compared with 2015.

GOVERNMENTAL EXPENSES

Overall operating costs are up 7% when compared to 2015, primarily due to preliminary expenditures in preparation for large 2017 projects. Public Safety accounts for 11% of the Town's total governmental expenses, while General Government (39%) and Public Works/Parks (40%) expenses together comprise 79% of the total governmental activity costs.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

Water Enterprise Fund: Operating revenues are up 5% from 2015, attributable primarily to increased water usage. Operating costs increased 14% in 2016, showing higher depreciation as earlier explained. This business-type activity reported an operating income of \$(25) in 2016, compared to an operating income of \$38,435 in 2015 and an operating income of \$65,058 in 2014.

Marina Enterprise Fund: The Marina Enterprise Fund was established in 2007. Longer operating hours for boat rentals, lake tours, and the addition of a Sunset Cruise generated operating revenue in the amount of \$294,475, up 31% from 2015. Operating costs were \$165,781, up \$29,345 from 2015, resulting in operating income of \$128,694. This increase in operating is largely due to longer hours of operation in 2016.

PAYT Enterprise Fund: The Pay-As-You-Throw Enterprise Fund was established in August 2010. PAYT is a self-service trash disposal system. Revenues are derived from trash bags sold wholesale to various vendors for resale and from bags purchased retail by individuals directly from the Town. The PAYT Enterprise reported operating revenue of \$42,697 up 14% from 2015 and expenses increased \$2,412, with a resulting operating income of \$17,671 for the year. A new plan for inventory management is under consideration.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

Currently the only governmental fund of the Town is the General Fund, which is reported in the fund statement with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The General Fund reported a total ending fund balance of \$1,454,841, of which \$442,260 is intended for fiscal year 2017 expenditures.

The total ending fund balance of the General Fund shows an increase of \$140,644 in 2016 when compared with the fiscal year 2015 fund balance increase of \$275,036. The Town minimally invested in capital projects in 2016, with an eye to strengthening its financial position for future years in anticipation of upcoming planned capital projects (West Portal bridge project and implementation of Streetscape and Wayfinding Masterplans) within the next couple of years, some commencing in 2017.

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. Total revenues increased by \$146,211, 8% more than 2015 total revenues. General Fund expenditures of \$1,843,705 were \$145,318, 9% more than 2015.

Proprietary Funds

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

Net position of the enterprise operations at December 31, 2016 follow:

	<u>Net Position</u>	<u>Change in Net Position</u>
Water	\$ 2,191,308	\$ 22,329
Marina	505,189	146,240
PAYT	80,870	17,784

Factors concerning the finances of the enterprise funds have already been addressed in the discussion of the Town's business-type activities.

Budgetary Highlights

General Fund — General Fund revenue of \$1,984,349 was \$657,398 under the budgeted amount of \$2,641,747. This shortfall is mainly attributable to funding for construction of the W. Portal Bridge rehabilitation (which will occur in 2017) as opposed to over budgeting.

Higher than estimated revenues were realized in a number of categories, significant and encouraging unbudgeted revenues (in the range of \$10,000 or more) were received in: Sales Tax (\$50,544), Grand Lake Center operations revenue (\$56,150) and Motor Vehicle Use Tax (\$25,092). Unrealized budgeted revenues were associated primarily with contingency items such as grants and known future year projects. For example, the 2016 budget again included \$867,600 as a placeholder of awarded grant funds in connection with the 2016/2017 project (West Portal Road Bridge). However, in 2016 only design services were begun and reimbursed (\$65,687) and the remainder of this funding will be received in 2017.

The total General Fund expenditures of \$1,843,705 were under budget by \$1,029,420 of which \$776,099 were unexpended for the W. Portal Bridge rehabilitation. Additional savings were realized due to budget management in general government, capital outlay, public works, public safety and parks. As is almost always the practice, budgeted amounts for projects that did not receive grant funding or correspond with future year revenues were not expended either. Overall, General Fund expenditures came in at 64% of budget.

Water Enterprise Fund — The Water Enterprise Fund water sales revenue exceeded projections by \$42,290. Unrealized budgeted revenue was primarily the anticipated loan for the hydropower generator project which was not needed. Expenses came in 40% lower than budgeted, with the Town spending only \$497,332 of the \$826,692 budgeted, a \$329,360 savings.

Marina Enterprise Fund — The Marina Enterprise Fund had rental revenues of \$291,941, exceeding the budget by \$78,491. Expenses across the board were \$137,143 as opposed to the \$215,958 budgeted. The \$71,476 decrease in expenses from 2015 was unexpended capital purchases, offset by an increase in wages to accommodate longer hours of operation. It should be noted \$50,000 was included in the 2016 budget for new pontoons which were not purchased until 2017.

PAYT Enterprise Fund — The PAYT Enterprise Fund increased its sales revenue to \$42,697, which was \$3,763 less than the budget figure of \$46,460. Expenses came in at \$25,026, \$13,574 less than the budget of \$38,600.

Capital Assets and Debt Administration

Capital Assets

The Town’s net investment in capital assets as of December 31, 2016, was \$3,296,253 for governmental activities and \$1,304,326 for business-type activities. The governmental activities capital assets include infrastructure that was first reported in 2004.

The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	\$ 660,419	\$ 660,419	\$ 2,270	\$ 2,270	\$ 662,689	\$ 662,689
Construction In Progress	<u>240,539</u>	<u>9,512</u>	<u>43,800</u>	<u>13,861</u>	<u>284,339</u>	<u>23,373</u>
Total non-depreciable	<u>900,958</u>	<u>669,931</u>	<u>46,070</u>	<u>16,131</u>	<u>947,028</u>	<u>686,062</u>
Depreciable assets:						
Buildings	1,387,842	1,387,842	26,935	26,935	1,414,777	1,414,777
Improvements	957,481	957,481	-	-	957,481	957,481
Equipment	929,419	945,539	309,603	219,993	1,239,022	1,165,532
Infrastructure	2,853,541	2,853,541	3,176,040	3,176,040	6,029,581	6,029,581
Marina Equipment	<u>-</u>	<u>-</u>	<u>182,594</u>	<u>213,498</u>	<u>182,594</u>	<u>213,498</u>
Total depreciable assets	6,128,283	6,144,403	3,695,172	3,636,466	9,823,455	9,780,869
Less accumulated depreciation	<u>(3,340,616)</u>	<u>(3,177,470)</u>	<u>(2,436,916)</u>	<u>(2,275,657)</u>	<u>(5,777,532)</u>	<u>(5,453,127)</u>
Book Value - Depreciable assets	<u>\$ 2,787,667</u>	<u>\$ 2,966,933</u>	<u>\$ 1,258,256</u>	<u>\$ 1,360,809</u>	<u>\$ 4,045,923</u>	<u>\$ 4,327,742</u>
Percentage depreciated	55%	52%	66%	63%	59%	56%
Total Book Value	<u>\$ 3,688,625</u>	<u>\$ 3,636,864</u>	<u>\$ 1,304,326</u>	<u>\$ 1,376,940</u>	<u>\$ 4,992,951</u>	<u>\$ 5,013,804</u>

At December 31, 2016, the depreciable capital assets for governmental activities were 55% depreciated. As for the Town's business-type activities, 66% of the asset values were depreciated at December 31, 2016. Both the governmental and the business-type activities numbers reflect continued aging of the infrastructure compared to 2015.

A water rate study was conducted in 2008 in order to evaluate the implementation of the capital improvement plan that was completed in 2006. As a result of the study, the Board of Trustees adopted a 6% annual increase in water rate fees. The increase schedule began in April 2009 and would have been effective through April 1, 2018; however, the Town opted-out of the increase for 2015, resulting in an extension of the schedule through April 1, 2019. Although the study recommended a 9% increase in order to fully implement the capital improvements recommended by the 2006 plan, the Board of Trustees approved annual increases of 6%.

Long-term Debt

In 2009, the Town issued Sales Tax Revenue Refunding Bonds, Series 2009, in the amount of \$430,000. Recognizing the precarious cash flow position that the Town would be in for the next few years, Town Staff structured the payments so that the majority of savings achieved would be realized in the first two years with interest only debt service payments through 2010, and principal payments commencing in 2011. This debt was retired in 2016 with sales and use taxes.

The Town has \$392,372 in governmental capital leases outstanding for the acquisition of Thomasson Park and the 2015 John Deere 624K loader used by Public Works. Lease payments and obligations for the leases are funded entirely by the General Fund.

During the year, the Town retired \$174,641 of governmental activities long-term debt.

Economic Conditions Affecting the Town

Grand Lake's economy depends primarily on three economic drivers: tourism, housing market, and local spending with support from the large second homeowner population. Taking these drivers in reverse order, local spending resulted in a sales tax collections increase for 8 out of 12 months, when compared with 2015; with five of these being record months since 2000. The year ended 4.49% (\$52,205) up over 2015, and was a record fiscal year of sales tax revenue since 2000, with the next highest fiscal year being 2015. Sixty-seven individual building permits were issued in 2016 compared to 71 issued in 2015; two of the 2016 building permits issued were for new construction. The Town continues to enjoy the boost to summer tourism engendered by local businesses, the Grand Lake Lodge and Rocky Mountain Repertory Theatre being open for the season.

Looking to the future, the Town of Grand Lake will continue to carefully study state and national economic indicators. In addition, Grand Lake is essentially a tourist town with a focus on outdoor activities, and is subject to the uncontrollable vagaries of nature. However, the area's climate, variety of terrain and outdoor recreational opportunities, proximity to Rocky

Mountain National Park, and the “small town” appeal of Grand Lake remain dependable assets. The Town has embarked on several economic development initiatives, engaging the community and proactively pursuing tasks and projects that will contribute positively to the health of our local economy. And while there is a cautious hint of economic hopefulness in the air, the Town will continue to take the most conservative approach as is practicable in its financial activities.

On November 8, 2016, the citizens of Grand Lake passed a ballot question to increase sales and use tax from 4% to 5%, effective January 1, 2017 and to incur debt for financing improvements to streets, boardwalks, sidewalks, multi-use pathways, streetscapes, signage and drainage. These bonds are to be sold in the Spring of 2017 and debt service is scheduled to commence in December 2017.

Contacting the Town’s Financial Management

This financial report is designed to provide a general overview of the Town’s finances, comply with finance-related laws and regulations, and demonstrate the Town’s commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Town Manager at P.O. Box 99, Grand Lake, CO 80447.

BASIC FINANCIAL STATEMENTS

TOWN OF GRAND LAKE, COLORADO

STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 1,453,312	\$ 1,521,724	\$ 2,975,036
Property Taxes Receivable	257,304	-	257,304
Sales Taxes Receivable	99,822	-	99,822
Accounts Receivable	47,787	15,577	63,364
Intergovernmental Receivables	61,263	-	61,263
Prepaid Expense	3,168	267	3,435
Inventory	2,890	8,717	11,607
Capital Assets Not Being Depreciated	900,958	46,070	947,028
Capital Assets, Net of Accumulated Depreciation	2,787,667	1,258,256	4,045,923
Total Assets	5,614,171	2,850,611	8,464,782
Liabilities			
Accounts Payable	118,336	30,694	149,030
Accrued Interest Payable	1,136	-	1,136
Prepaid Fees	9,278	6,987	16,265
Park Avenue Boardwalk Funds	20,130	-	20,130
Unearned Revenue - Nightly Rental Licenses	19,800	-	19,800
Developer LOC Funds	2,760	-	2,760
Noncurrent Liabilities:			
Due Within One Year	30,943	2,150	33,093
Due In More Than One Year	413,339	33,413	446,752
Total Liabilities	615,722	73,244	688,966
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	257,304	-	257,304
Unearned Revenue - Use Tax	43,097	-	43,097
Total Deferred Inflows of Resources	300,401	-	300,401
Net Position			
Net Investment in Capital Assets Restricted	3,296,253	1,304,326	4,600,579
Parks and Open Space	24,751	-	24,751
Emergency Reserves	56,800	-	56,800
Unrestricted	1,320,244	1,473,041	2,793,285
Total Net Position	\$ 4,698,048	\$ 2,777,367	\$ 7,475,415

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Permits, Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Administration	\$ 666,175	\$ 125,776	\$ -	\$ -
Public Safety	180,495	-	-	-
Public Works	554,325	-	41,397	89,114
Grand Lake Center	146,848	63,550	-	-
Parks	118,642	-	2,581	-
Interest Expense	20,058	-	-	-
Total Governmental Activities	1,686,543	189,326	43,978	89,114
Business-type Activities				
Water	541,308	541,283	5,887	16,467
Marina	165,781	294,475	546	17,000
Pay As You Throw	25,026	42,697	113	-
Total Business-type Activities	732,115	878,455	6,546	33,467
Total	\$ 2,418,658	\$ 1,067,781	\$ 50,524	\$ 122,581

General Revenues:

- Property Taxes
- Specific Ownership Taxes
- Sales and Use Taxes
- Franchise and Other Taxes
- Unrestricted Investment Earnings
- Miscellaneous
- Total General Revenues
- Changes In Net Position
- Net Position - Beginning
- Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (540,399)	\$ -	\$ (540,399)
(180,495)	-	(180,495)
(423,814)	-	(423,814)
(83,298)	-	(83,298)
(116,061)	-	(116,061)
(20,058)	-	(20,058)
<u>(1,364,125)</u>	<u>-</u>	<u>(1,364,125)</u>
-	22,329	22,329
-	146,240	146,240
-	17,784	17,784
<u>-</u>	<u>186,353</u>	<u>186,353</u>
<u>(1,364,125)</u>	<u>186,353</u>	<u>(1,177,772)</u>
241,629	-	241,629
14,754	-	14,754
1,292,135	-	1,292,135
71,856	-	71,856
6,679	-	6,679
34,878	-	34,878
<u>1,661,931</u>	<u>-</u>	<u>1,661,931</u>
297,806	186,353	484,159
4,400,242	2,591,014	6,991,256
<u>\$ 4,698,048</u>	<u>\$ 2,777,367</u>	<u>\$ 7,475,415</u>

TOWN OF GRAND LAKE, COLORADO

**BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016**

	General Fund
Assets	
Cash and Investments	\$ 1,453,312
Property Taxes Receivable	257,304
Sales Taxes Receivable	99,822
Accounts Receivable	47,787
Intergovernmental Receivables	61,263
Prepaid Expense	3,168
Inventory	2,890
Total Assets	\$ 1,925,546
Liabilities	
Accounts Payable	\$ 118,336
Prepaid Fees	9,278
Park Avenue Boardwalk Funds	20,130
Unearned Revenue - Nightly Rental Licenses	19,800
Developer LOC Funds	2,760
Total Liabilities	170,304
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	257,304
Unearned Revenue - Use Tax	43,097
Total Deferred Inflows of Resources	300,401
Fund Balances	
Nonspendable	6,058
Restricted for:	
Parks and Open Space	24,751
Emergency Reserves	56,800
Committed to:	
Affordable Housing	378,863
Cemetery Operations	59,772
Assigned to:	
Subsequent Year's Budget	442,260
Unassigned	486,337
Total Fund Balances	1,454,841
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,925,546

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2016**

Total Fund Balance - Governmental Fund		\$ 1,454,841
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	\$ 7,029,241	
Less Accumulated Depreciation	<u>(3,340,616)</u>	3,688,625
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. However, all liabilities - both current and long-term - are reported in the statement of net position.		
Balances at year-end are:		
Capital Lease Obligations	(392,372)	
Compensated Absences	<u>(51,910)</u>	(444,282)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due		<u>(1,136)</u>
Net Position - Governmental Activities		<u><u>\$ 4,698,048</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2016**

	General Fund
Revenues	
Taxes	\$ 1,620,374
Licenses and Permits	93,557
Intergovernmental	43,978
Charges for Services	93,069
Fines and Forfeitures	200
Fees and Leases	2,500
Net Investment Income	6,679
Other Revenue	34,878
Capital Contribution	89,114
Total Revenues	1,984,349
Expenditures	
Current	
Boards and Committees	128,467
Administration	512,292
Public Safety	180,495
Public Works	515,142
Grand Lake Center	146,848
Parks	96,227
Capital Outlay	134,702
Debt service	
Principal	106,982
Interest	22,550
Total Expenditures	1,843,705
Net Change in Fund Balance	140,644
Fund Balance - Beginning	1,314,197
Fund Balance - Ending	\$ 1,454,841

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

Net Change in Fund Balance - Governmental Fund	\$	140,644
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>		
Capital Outlay	\$ 243,903	
Depreciation	<u>(192,142)</u>	51,761
<p>Long-term debt (e.g., issuance of bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal Payment - Sales Tax Refunding Bonds	85,000	
Principal Payment - Capital Lease Obligations	<u>21,982</u>	106,982
<p>Interest expense in the statement of activities differs from the amount reported in governmental funds because of additional accrued and accreted interest, amortization of bond premiums, issue costs and refunding losses.</p>		
Decrease in accrued interest on long-term debt	682	
Amortization of deferred gain on refunding	<u>1,810</u>	2,492
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Adjustment to compensated absences liability		<u>(4,073)</u>
Change in Net Position - Governmental Activities	\$	<u>297,806</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues				
Taxes				
Property Tax	\$ 242,057	\$ 241,629	\$ (428)	\$ 237,004
Specific Ownership Tax	14,000	14,754	754	14,670
General Sales Tax	1,164,718	1,215,262	50,544	1,163,056
Building Use Tax	30,000	31,781	1,781	112,215
Motor Vehicle Use Tax	20,000	45,092	25,092	37,377
Cigarette Tax	3,000	3,599	599	3,295
Franchise Tax	64,224	68,257	4,033	64,789
Subtotal Taxes	1,537,999	1,620,374	82,375	1,632,406
Licenses & Permits				
Business Licenses	29,000	31,315	2,315	30,824
Rental Licenses	30,000	51,300	21,300	8,542
Liquor License	2,000	6,808	4,808	3,558
Other Licenses	3,200	4,134	934	3,877
Subtotal Licenses & Permits	64,200	93,557	29,357	46,801
Intergovernmental				
County Road and Bridge	6,336	6,336	-	6,288
Grants	10,000	-	(10,000)	4,525
Highway Users Tax	30,063	31,123	1,060	31,054
Conservation Trust Fund	2,000	2,581	581	7,184
Other Intergovernmental	4,000	3,938	(62)	4,338
Subtotal Intergovernmental	52,399	43,978	(8,421)	53,389
Charges for Services				
Attainable Housing Fee	20,000	4,771	(15,229)	2,339
Zoning and Subdivision Review	4,000	10,173	6,173	4,488
Cemetery	6,600	12,150	5,550	6,750
Grand Lake Center	7,400	63,550	56,150	11,195
Other Charges for Services	1,500	2,425	925	2,452
Subtotal Charges for Services	39,500	93,069	53,569	27,224
Fines and Forfeitures	500	200	(300)	1,588
Fees and Leases	2,500	2,500	-	2,500
Net Investment Income	4,000	6,679	2,679	6,351
Other Revenue	9,202	34,878	25,676	21,218
Capital Specific Revenue	931,447	89,114	(842,333)	46,661
Total Revenues	\$ 2,641,747	\$ 1,984,349	\$ (657,398)	\$ 1,838,138

(Continued)

TOWN OF GRAND LAKE, COLORADO

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)**

(Continued)

Expenditures	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Current:				
Boards and Committees				
Board of Trustees	\$ 90,787	\$ 82,630	\$ 8,157	\$ 73,712
Cemetery Committee	9,100	2,879	6,221	3,497
Planning Commission & Board of Adjustment	3,300	3,895	(595)	3,987
Greenways Committee	41,197	39,063	2,134	38,248
Subtotal Boards and Committees	<u>144,384</u>	<u>128,467</u>	<u>15,917</u>	<u>119,444</u>
Administration				
Personnel	275,000	283,339	(8,339)	285,807
Supplies	16,550	9,789	6,761	5,885
Repairs and Maintenance	7,150	9,707	(2,557)	6,797
Purchased Services	24,780	23,934	846	27,220
Utility Services	15,254	14,077	1,177	14,673
Professional Services	52,670	44,680	7,990	32,945
Marketing	108,587	96,581	12,006	76,020
Other	34,118	30,185	3,933	32,789
Subtotal Administration	<u>534,109</u>	<u>512,292</u>	<u>21,817</u>	<u>482,136</u>
Public Safety				
Personnel	48,097	42,034	6,063	47,054
Purchased Services	143,461	138,461	5,000	172,133
Subtotal Public Safety	<u>191,558</u>	<u>180,495</u>	<u>11,063</u>	<u>219,187</u>
Public Works				
Personnel	300,855	255,289	45,566	270,674
Supplies	6,500	4,306	2,194	6,797
Repairs and Maintenance	150,250	75,351	74,899	82,488
Purchased Services	9,350	9,639	(289)	10,979
Utility Services	36,450	34,728	1,722	34,032
Professional Services	23,000	134,200	(111,200)	-
Other	4,500	1,629	2,871	2,700
Subtotal Public Works	<u>\$ 530,905</u>	<u>\$ 515,142</u>	<u>\$ 15,763</u>	<u>\$ 407,670</u>

(Continued)

TOWN OF GRAND LAKE, COLORADO

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)**

(Continued)

Expenditures	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Grand Lake Center				
Personnel	\$ -	\$ 12,990	\$ (12,990)	\$ -
Supplies	8,500	16,051	(7,551)	297
Repairs and Maintenance	28,000	37,526	(9,526)	1,268
Utility Services	22,569	18,113	4,456	9,238
Professional Services	8,000	43,289	(35,289)	8,128
Other	39,287	18,879	20,408	9,524
Subtotal Grand Lake Center	<u>106,356</u>	<u>146,848</u>	<u>(40,492)</u>	<u>28,455</u>
Parks				
Personnel	41,453	39,747	1,706	46,151
Supplies	14,900	12,270	2,630	13,111
Repairs and Maintenance	28,650	22,620	6,030	22,060
Utility Services	20,150	19,298	852	17,655
Other	4,000	2,292	1,708	300
Subtotal Parks	<u>109,153</u>	<u>96,227</u>	<u>12,926</u>	<u>99,277</u>
Capital Outlay	<u>1,069,087</u>	<u>134,702</u>	<u>934,385</u>	<u>226,344</u>
Debt service				
Bond Principal	85,000	85,000	-	80,000
Bond Interest	3,086	2,611	475	5,990
Lease Principal	21,982	21,982	-	14,260
Lease Interest	19,939	19,939	-	15,624
Subtotal Debt Service	<u>130,007</u>	<u>129,532</u>	<u>475</u>	<u>115,874</u>
Reserves	<u>57,566</u>	<u>-</u>	<u>57,566</u>	<u>-</u>
Total Expenditures	<u>2,873,125</u>	<u>1,843,705</u>	<u>1,029,420</u>	<u>1,698,387</u>
Excess Revenues Over (Under)				
Expenditures	(231,378)	140,644	372,022	139,751
Other Financing Sources (Uses)				
Capital Lease Proceeds	-	-	-	135,285
Net Change in Fund Balance	(231,378)	140,644	372,022	275,036
Fund Balance - Beginning	<u>1,201,623</u>	<u>1,314,197</u>	<u>112,574</u>	<u>1,039,161</u>
Fund Balance - Ending	<u>\$ 970,245</u>	<u>\$ 1,454,841</u>	<u>\$ 484,596</u>	<u>\$ 1,314,197</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016**

	Business-type Activities - Enterprise Funds			Total
	Water	Marina	Pay As	
			You Throw	
Assets				
Current Assets				
Cash and Investments	\$ 1,021,953	\$ 427,492	\$ 72,279	\$ 1,521,724
Accounts Receivable	13,313	-	2,264	15,577
Prepaid Expense	-	-	267	267
Inventory	2,657	-	6,060	8,717
Total Current Assets	1,037,923	427,492	80,870	1,546,285
Noncurrent Assets				
Capital Assets Not Being Depreciated	46,070	-	-	46,070
Capital Assets, Net of Accumulated Depreciation	1,179,110	79,146	-	1,258,256
Total Noncurrent Assets	1,225,180	79,146	-	1,304,326
Total Assets	2,263,103	506,638	80,870	2,850,611
Liabilities				
Current Liabilities				
Accounts Payable	30,557	137	-	30,694
Compensated Absences	1,720	430	-	2,150
Prepaid Fees	6,987	-	-	6,987
Total Current Liabilities	39,264	567	-	39,831
Noncurrent Liabilities				
Compensated Absences	32,531	882	-	33,413
Net Position				
Net Investment in Capital Assets	1,225,180	79,146	-	1,304,326
Unrestricted	966,128	426,043	80,870	1,473,041
Total Net Position	\$ 2,191,308	\$ 505,189	\$ 80,870	\$ 2,777,367

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016**

	Business-type Activities - Enterprise Funds			Total
	Water	Marina	Pay As You Throw	
Operating Revenues				
Charges for Sales and Services				
Water Sales	\$ 537,064	\$ -	\$ -	\$ 537,064
Marina Rentals	-	291,941	-	291,941
PAYT Bag Sales	-	-	42,697	42,697
Other	4,219	2,534	-	6,753
Total Operating Revenues	<u>541,283</u>	<u>294,475</u>	<u>42,697</u>	<u>878,455</u>
Operating Expenses				
Personnel	272,875	108,098	-	380,973
Operations	104,908	29,045	25,026	158,979
Depreciation	163,525	28,638	-	192,163
Total Operating Expenses	<u>541,308</u>	<u>165,781</u>	<u>25,026</u>	<u>732,115</u>
Operating Income	<u>(25)</u>	<u>128,694</u>	<u>17,671</u>	<u>146,340</u>
Nonoperating Revenues (Expenses)				
Net Investment Income	3,387	546	113	4,046
Grant Income	2,500	-	-	2,500
Gain on Disposition of Assets	-	17,000	-	17,000
Total Nonoperating Revenues (Expenses)	<u>5,887</u>	<u>17,546</u>	<u>113</u>	<u>23,546</u>
Income Before Contributions	<u>5,862</u>	<u>146,240</u>	<u>17,784</u>	<u>169,886</u>
Capital Contributions - Tap Fees	<u>16,467</u>	<u>-</u>	<u>-</u>	<u>16,467</u>
Change In Net Position	<u>22,329</u>	<u>146,240</u>	<u>17,784</u>	<u>186,353</u>
Net Position - Beginning	<u>2,168,979</u>	<u>358,949</u>	<u>63,086</u>	<u>2,591,014</u>
Net Position - Ending	<u><u>\$ 2,191,308</u></u>	<u><u>\$ 505,189</u></u>	<u><u>\$ 80,870</u></u>	<u><u>\$ 2,777,367</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016**

	Business-type Activities - Enterprise Funds			
	Water	Marina	Pay As You Throw	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 544,632	\$ 294,475	\$ 43,319	\$ 882,426
Cash Payments to Suppliers for Goods and Services	(101,746)	(29,271)	(28,775)	(159,792)
Cash Payments to Employees for Services	(271,839)	(107,171)	-	(379,010)
Net Cash Provided by Operating Activities	<u>171,047</u>	<u>158,033</u>	<u>14,544</u>	<u>343,624</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Cash Flows from Capital and Related Financing Activities				
Capital Contributions	16,467	-	-	16,467
Proceeds from Sale of Assets	-	17,000	-	17,000
Acquisition and Construction of Capital Assets	(93,974)	-	-	(93,974)
Net Cash (Used) by Capital and Related Financing Activities	<u>(77,507)</u>	<u>17,000</u>	<u>-</u>	<u>(60,507)</u>
Cash Flows from Investing Activities				
Net Investment Income	<u>3,387</u>	<u>546</u>	<u>113</u>	<u>4,046</u>
Net Increase In Cash and Cash Equivalents	99,427	175,579	14,657	289,663
Cash and Cash Equivalents - Beginning	922,526	251,913	57,622	1,232,061
Cash and Cash Equivalents - Ending	<u>\$ 1,021,953</u>	<u>\$ 427,492</u>	<u>\$ 72,279</u>	<u>\$ 1,521,724</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ (25)	\$ 128,694	\$ 17,671	\$ 146,340
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	163,525	28,638	-	192,163
Effect of Changes In Operating Assets and Liabilities				
Accounts Receivable	(3,638)	-	622	(3,016)
Inventory	2,214	-	(3,170)	(956)
Prepaid Expense	-	-	(267)	(267)
Accounts Payable	948	(226)	(312)	410
Compensated Absences	1,036	927	-	1,963
Deferred Revenue	6,987	-	-	6,987
Total Adjustments	<u>171,072</u>	<u>29,339</u>	<u>(3,127)</u>	<u>197,284</u>
Net Cash Provided by Operating Activities	<u>\$ 171,047</u>	<u>\$ 158,033</u>	<u>\$ 14,544</u>	<u>\$ 343,624</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 REPORTING ENTITY

The Town of Grand Lake, Colorado (the Town) was incorporated on June 9, 1944 in Grand County, Colorado and is governed by a seven-member elected Board of Trustees. The Town provides public works (roads and streets), trash, parks and recreation, water, and general administrative services. The Town contracts with Grand County for police protection services. Fire protection is provided by the Grand Lake Fire Protection District. Sanitary sewer services are provided by the Three Lakes Water and Sanitation District.

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

The reporting entity consists of (a) the primary government; i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Town are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all the activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the Town. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect 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 customers or applicants 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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 after year-end. The major sources of revenue susceptible to accrual are property, sales and franchise taxes. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

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when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The Town reports the following major governmental fund:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major enterprise funds:

The *Water Fund* accounts for revenues and expenses associated with providing water services to Town residents.

The *Marina Fund* accounts for revenues and expenses associated with providing recreational activities to Town residents and visitors at the Town's Headwaters Marina.

The *Pay As You Throw Fund* was established in August 2010 and is used to account for revenues and expenses associated with providing trash service to the Town's residents.

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 Town's enterprise functions and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town's water fund recognize as capital contributions the entire portion of tap fees, as they are intended to recover the cost of the capital investment in the water distribution system.

Pooled Cash and Investments

The Town follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Cash and investments are presented in the basic financial statements at fair value.

For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Property Taxes

Property taxes are levied by the Town's Board of Trustees. Property taxes are levied by December 15 of each year and are due in full the following year. The lien date is January 1 following the levy. Taxes may be paid in two equal installments, on or before February 28 and June 15; or in full, on or before April 30. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are held in November or December. Property taxes are collected by Grand County and then remitted, net of a 2% collection fee, to the Town.

Taxes are recorded as a receivable and a deferred inflow of resources when levied, and subsequently recorded as revenue in the year they are available or collected.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel and expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town currently capitalizes expenditures that cost more than \$5,000 and have a life of one year or more. Such capital assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capital assets because their useful life often extends

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities. Generally accepted accounting principles requires the Town to report general infrastructure assets obtained subsequent to January 1, 2004 but allows the Town to retroactively capitalize general infrastructure assets obtained prior to that date. The Town elected to not report general infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated over their remaining useful lives.

Capital assets of the Town are depreciated, using the straight-line method over their estimated useful lives:

Infrastructure:	
Bridges	40 years
Roads	20 years
Parking Lots	20 years
Storm Drainage Systems	20 years
Buildings	40 – 75 years
Buildings Improvements	20 – 75 years
Water Distribution Systems	30 years
Water Storage Facilities	30 – 55 years
Vehicles, Machinery and Equipment	5 – 7 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable revenue for property taxes to be collected in the subsequent period and building use tax that is subject to refund and therefore not yet available.

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Compensated Absences

Accumulated unpaid vacation, compensatory time and sick leave amounts are accrued as a liability as the benefits are earned, if the employees' rights to receive compensation are attributable to services already rendered, and it is probable that the employer will compensate employees for the benefits through paid time off or some other means. The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated liability at the fund reporting level only when due. Proprietary funds report the liability when incurred.

Upon termination, employees are paid full value for any accrued vacation and compensatory leave earned. Accrued sick leave is paid at two hours for one.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new proceeds received, are reported as debt service expenditures.

Net Position and Fund Equity

Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

The Town reports the following restricted net position balances:

Restricted for Parks and Open Space - Represents the balance of funds remaining from the Conservation Trust (State Lottery) Fund proceeds.

Restricted for Emergency Reserves - Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

Unrestricted net position represents assets that do not have any third-party limitations on their use.

Fund Balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed fund balance – The portion of fund balance that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TOWN OF GRAND LAKE, COLORADO

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The following fund balances are committed:

Affordable Housing – Represents the accumulation of funds collected by the Town from affordable housing fees. The funds are to be utilized for the purpose of providing affordable housing.

Cemetery Operations – committed to the operations of the Grand Lake Cemetery.

Assigned fund balance – The portion of fund balance that reflects the Town's intended use of resources as determined by the Board of Trustees. These amounts are constrained by the Town's intent to be used for specific purposes, but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The following fund balances are assigned:

Subsequent Year's Budget – used to account for the portion of the year-end fund balance which is appropriated in the subsequent year's budget.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the Town's practice to use the most restrictive classification first.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. An example of such an estimate that has been made by management is depreciation expense.

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. The enterprise funds adopt budgets on the Non-GAAP basis wherein tap fees are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenditures, and depreciation expense is not budgeted. All annual appropriations lapse at fiscal year-end.

Not later than the first regular meeting in September, the Town Manager submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Trustees. The operating budget for all budgeted funds includes proposed expenditures and the means of financing.

Public hearings are held at the regular Trustee meetings to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget resolution.

The appropriation can only be modified upon completion of notification and publication requirements.

NOTE 4 CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 consist of the following:

	Governmental Activities	Business- type Activities	Total
On-hand	\$ 350	\$ 50	\$ 400
Deposits	962,466	1,155,048	2,117,514
Investments	490,496	366,626	857,122
Total	<u>\$ 1,453,312</u>	<u>\$ 1,521,724</u>	<u>\$ 2,975,036</u>

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of

TOWN OF GRAND LAKE, COLORADO

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December 31, 2016

local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2016, the Town's deposits amounting to \$2,186,550 were both insured by federal depository insurance and collateralized with securities held by third parties not in the Town's name, and consequently were not exposed to custodial credit risk.

Investments

The Town has not adopted a formal investment policy; however, the Town follows state statutes regarding investments.

The Town generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the Town is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Trustees, such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of US local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Investments not measured at fair value and not categorized include CSAFE which record its investments at amortized cost.

Colotrust is an external investment pool that records its investments at fair value. The investment in Colotrust is categorized as a Level 2 investment.

At December 31, 2016, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Government Liquid Asset Trust (Colotrust)	Weighted Average under 60 Days	\$ 608,298
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average under 60 Days	248,824
		<u>\$ 857,122</u>

The Town invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statues governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain obligations of agencies of the U.S. government and written purchase agreements collateralized by U.S Treasury securities or certain obligations of U.S government agencies. COLOTRUST PLUS+ may also invest in highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for Colotrust’s portfolios pursuant to a custodian agreement. The

TOWN OF GRAND LAKE, COLORADO

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custodian acts as a safekeeping agent for Colotrust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by Colotrust. Colotrust is rated AAAM by Standard & Poor’s.

The Town invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor’s.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 660,419	\$ -	\$ -	\$ 660,419
Construction in Progress	9,512	231,027		240,539
Total Capital Assets Not Being Depreciated	<u>669,931</u>	<u>231,027</u>	<u>-</u>	<u>900,958</u>
Depreciable Capital Assets:				
Buildings	1,387,842	-	-	1,387,842
Improvements	957,481	-	-	957,481
Equipment	945,539	12,876	28,996	929,419
Infrastructure	2,853,541	-	-	2,853,541
Total Depreciable Capital Assets	<u>6,144,403</u>	<u>12,876</u>	<u>28,996</u>	<u>6,128,283</u>
Accumulated Depreciation:				
Buildings	(354,930)	(20,115)	-	(375,045)
Improvements	(507,020)	(26,768)	-	(533,788)
Equipment	(735,411)	(31,431)	(28,996)	(737,846)
Infrastructure	(1,580,109)	(113,828)	-	(1,693,937)
Total Accumulated Depreciation	<u>(3,177,470)</u>	<u>(192,142)</u>	<u>(28,996)</u>	<u>(3,340,616)</u>
Net Depreciable Capital Assets	<u>2,966,933</u>	<u>(179,266)</u>	<u>-</u>	<u>2,787,667</u>
Total Net Governmental Activities	<u>\$ 3,636,864</u>	<u>\$ 51,761</u>	<u>\$ -</u>	<u>\$ 3,688,625</u>

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Depreciation expense is allocated to specific departments as follows.

General Government	\$ 21,343
Public Works	148,384
Parks	<u>22,415</u>
Total Depreciation Expense	<u>\$ 192,142</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,270	\$ -	\$ -	\$ 2,270
Construction in Progress	13,861	43,800	13,861	43,800
Total Capital Assets Not Being Depreciated	<u>16,131</u>	<u>43,800</u>	<u>13,861</u>	<u>46,070</u>
Depreciable Capital Assets:				
Water Utility System	3,176,040	-	-	3,176,040
Water Equipment	219,993	89,610	-	309,603
Water Buildings	26,935	-	-	26,935
Marina Equipment	213,498	-	30,904	182,594
Total Depreciable Capital Assets	<u>3,636,466</u>	<u>89,610</u>	<u>30,904</u>	<u>3,695,172</u>
Accumulated Depreciation:				
Water Utility System	(1,967,794)	(138,385)	-	(2,106,179)
Water Equipment	(175,214)	(25,140)	-	(200,354)
Water Buildings	(26,935)	-	-	(26,935)
Marina Equipment	(105,714)	(28,638)	(30,904)	(103,448)
Total Accumulated Depreciation	<u>(2,275,657)</u>	<u>(192,163)</u>	<u>(30,904)</u>	<u>(2,436,916)</u>
Net Depreciable Capital Assets	<u>1,360,809</u>	<u>(102,553)</u>	<u>-</u>	<u>1,258,256</u>
Total Business-Type Activities	<u>\$ 1,376,940</u>	<u>\$ (58,753)</u>	<u>\$ 13,861</u>	<u>\$ 1,304,326</u>

Depreciation was charged to functions/programs as follows:

Water Fund	\$ 163,525
Marina Fund	<u>28,638</u>
Total Depreciation Expense	<u>\$ 192,163</u>

TOWN OF GRAND LAKE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term debt for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
2009 Sales Tax Refunding Bonds	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ -
Capital Lease - Thomasson Park	281,909	-	10,374	271,535	12,474
Capital Lease - Loader	132,445	-	11,608	120,837	12,019
Compensated Absences	47,837	71,732	67,659	51,910	6,450
Total	<u>\$ 547,191</u>	<u>\$ 71,732</u>	<u>\$ 174,641</u>	<u>\$ 444,282</u>	<u>\$ 30,943</u>
Business-type Activities					
Compensated Absences	<u>\$ 33,600</u>	<u>\$ 32,603</u>	<u>\$ 30,640</u>	<u>\$ 35,563</u>	<u>\$ 2,150</u>

Sales Tax Revenue Refunding Bonds

Sales tax Revenue Refunding Bonds, Series 2009, issued on December 3, 2009, in the original principal amount of \$430,000. The bonds are due annually in varying amounts through 2016, with interest payable semiannually at 3.63%. The bonds are not subject to optional redemption prior to maturity. The bonds were issued to refund the outstanding remaining bonds from the 1997 Sales Tax Revenue Bonds. The 1997 bonds were issued for the construction and improvement of the Town's streets and storm drainage infrastructure.

All of the sales tax revenues resulting from the Town's 4% sales tax are pledged to the payment of principal and interest on the bonds.

Capital Lease Obligations

Thomasson Park

The Town entered into a long-term leasehold agreement on March 4, 2002, which includes an option to purchase and acquire title to the leased property in the original amount of \$400,000. The property provides useful public purposes, including a recreational multi-use trail, watchable wildlife viewing area, a cemetery site, open space and a buffer between the Town and Rocky Mountain National Park.

The agreement's terms require quarterly lease payments by the Town over 30 years at 5% per year with a five-year balloon payment. During the initial five-year term, the Town was to use reasonable efforts to obtain grants or other similar sources of funding that would allow the

TOWN OF GRAND LAKE, COLORADO

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Town to purchase the property. If the Town was unable to obtain such funding during the initial five-year term, the agreement was automatically extended with the same terms and conditions for an additional five-year term, with the balloon payment due at the end of the five-year extension period. The agreement terminates when all payments are made and the property is conveyed to the Town.

At the end of the initial five-year term, the Town did not obtain funding to purchase the property and exercised the automatic renewal option for an additional five-year term. The second five-year term expired in December 2011. On December 12, 2011, the Town entered into an Extension of Lease Purchase Agreement with the property owner extending the Lease Purchase agreement under the same terms and conditions as the original agreement, for an additional five years through December 31, 2016, with an additional five-year extension if the Town is unable to obtain funding to complete the purchase. On November 3, 2016, the Town extended the lease agreement for an additional 5-year term. This lease is paid from the General Fund. Principal and interest on the lease in 2016 was \$10,374 and \$15,501, respectively.

Principal and interest remaining on the lease follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,474	\$ 13,401	\$ 25,875
2018	13,112	12,763	25,875
2019	13,783	12,092	25,875
2020	14,488	11,387	25,875
2021	15,229	10,646	25,875
2022-2026	88,663	40,712	129,375
2027-2031	113,786	15,589	129,375
	<u>\$ 271,535</u>	<u>\$ 116,590</u>	<u>\$ 388,125</u>

2015 Equipment Lease

On September 25, 2015, The Town entered into a capital lease agreement for a 2015 John Deere 624K Loader in the original principal amount of \$135,285. Lease payments of \$1,337 are due monthly beginning in October 2015 and ending in September 2025, with interest at 3.49%. Lease payments are made by the General Fund. Principal and interest on the lease in 2016 was \$11,608 and \$4,438, respectively.

At December 31, 2016, the Loader is included in capital assets of governmental activities in the amount of \$111,127, net of accumulated depreciation of \$24,158.

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

The net present value of the minimum lease payments as of December 31, 2016 follow:

Year Ending December 31,	Payment Amount
2017	\$ 16,046
2018	16,046
2019	16,046
2020	16,046
2021	16,046
2022-2025	60,172
Minimum Lease Payments	140,402
Less: Amount representing interest	(19,565)
Present Value of Minimum Lease Payments	<u>\$ 120,837</u>

NOTE 7 RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are financed and funded through participation in the Colorado Intergovernmental Risk Sharing Agency (CIRSA).

CIRSA is a separate legal entity established by member municipalities pursuant to the provisions of Colorado Revised Statutes and the Colorado Constitution.

CIRSA is a joint self-insurance pool created by intergovernmental agreement to provide property, general and automobile liability and public official's coverage to its members. A seven member Board elected by and from its members governs CIRSA.

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and those 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 it is not legally required to do so.

The Town has not been informed of any excess losses that may have been incurred by the pool; there have been no claims in excess of insurance coverage in any of the past three years. There have been no significant changes in insurance coverage from the prior year in any of the major categories of risk.

TOWN OF GRAND LAKE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 8 DEFERRED COMPENSATION PLAN

The Town has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City/County Management Association Retirement Corporation (ICMA-RC). Full time employees are eligible to participate in the plan. The Town will contribute 4% of the employee's salary if the employee contributes at least 1%. For every percentage increase thereafter up to 8%, the Town will match each employee dollar for dollar as long as the employee contributes an equal or greater amount. The Town contributed \$36,683 in matching contributions and participating employees contributed \$45,481 for the year ending December 31, 2016.

NOTE 9 TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The Town's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

On November 8, 1994, a majority of the Town's electors approved a ballot issue permitting the Town, without increasing or adding any taxes of any kind, to collect, retain, and expend the full proceeds of the Town's fees, revenues and non-federal grants and to spend such revenue for debt service, municipal operations, capital projects, and any other lawful municipal operations, notwithstanding any state restrictions on fiscal year spending, including, without limitation the restrictions of Article X, Section 20, of the Colorado Constitution from the date of January 1, 1994 and thereafter.

SUPPLEMENTARY INFORMATION

TOWN OF GRAND LAKE, COLORADO

WATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

For the Year Ended December 31, 2016

(With Comparative Totals for December 31, 2015)

	Original & Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues				
Water Sales	\$ 494,774	\$ 537,064	\$ 42,290	\$ 507,677
Tap Fees	16,467	16,467	-	29,033
Resale Meters	1,000	2,246	1,246	4,144
Bulk Water Permits	700	989	289	1,323
Miscellaneous	-	984	984	256
Interest Income	1,000	3,387	2,387	1,733
Grant Income	270,000	2,500	(267,500)	6,180
Total Revenues	<u>783,941</u>	<u>563,637</u>	<u>(220,304)</u>	<u>550,346</u>
Expenditures				
Personnel	321,963	272,875	49,088	278,235
Office Supplies	21,500	3,449	18,051	1,232
Operations Supplies	17,600	13,208	4,392	14,282
Repairs and Maintenance	35,100	21,348	13,752	19,666
Resale Supplies	8,500	2,488	6,012	2,877
Purchased Services	19,490	16,163	3,327	11,233
Utilities	37,180	36,112	1,068	35,216
Professional Services	48,020	3,304	44,716	4,404
Other Expenses	11,339	8,836	2,503	8,304
Capital Outlay	290,000	119,549	170,451	39,275
Debt Service-Principal	13,000	-	13,000	-
Debt Service-Interest	3,000	-	3,000	-
Total Expenditures	<u>826,692</u>	<u>497,332</u>	<u>329,360</u>	<u>414,724</u>
Excess Revenues Over (Under)				
Expenditures	(42,751)	66,305	109,056	135,622
Funds Available - Beginning	<u>869,494</u>	<u>899,823</u>	<u>30,329</u>	<u>764,201</u>
Funds Available - Ending	<u>\$ 826,743</u>	<u>\$ 966,128</u>	<u>\$ 139,385</u>	<u>\$ 899,823</u>
Funds Available is Computed as Follows:				
Current Assets		\$ 1,037,923		\$ 937,072
Liabilities		<u>(71,795)</u>		<u>(37,249)</u>
		<u>\$ 966,128</u>		<u>\$ 899,823</u>

See the Independent Auditor's Report

TOWN OF GRAND LAKE, COLORADO

MARINA FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

For the Year Ended December 31, 2016

(With Comparative Totals for December 31, 2015)

	Original & Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues				
Marina Rentals	\$ 135,000	\$ 202,650	\$ 67,650	\$ 145,155
Tours	60,000	70,441	10,441	58,681
Rentals	18,450	18,850	400	18,125
Miscellaneous	2,720	2,534	(186)	3,203
Interest Income	400	546	146	497
Sale of Assets	14,000	17,000	3,000	9,750
Total Revenues	<u>230,570</u>	<u>312,021</u>	<u>81,451</u>	<u>235,411</u>
Expenditures				
Personnel	112,545	108,098	4,447	93,035
Office Supplies	1,450	1,407	43	712
Operations Supplies	9,500	4,412	5,088	5,950
Repairs and Maintenance	14,500	5,340	9,160	4,994
Permits and Fees	765	4,294	(3,529)	4,929
Purchased Services	8,652	9,128	(476)	5,905
Utilities	2,600	2,995	(395)	2,451
Professional Services	4,103	1,103	3,000	1,103
Other Expenses	1,843	366	1,477	580
Capital Outlay	60,000	-	60,000	88,960
Total Expenditures	<u>215,958</u>	<u>137,143</u>	<u>78,815</u>	<u>208,619</u>
Excess Revenues Over (Under)				
Expenditures	14,612	174,878	160,266	26,792
Funds Available - Beginning	<u>240,861</u>	<u>251,165</u>	<u>10,304</u>	<u>224,373</u>
Funds Available - Ending	<u>\$ 255,473</u>	<u>\$ 426,043</u>	<u>\$ 170,570</u>	<u>\$ 251,165</u>
Funds Available is Computed as Follows:				
Current Assets		\$ 427,492		\$ 251,913
Liabilities		<u>(1,449)</u>		<u>(748)</u>
		<u>\$ 426,043</u>		<u>\$ 251,165</u>

See the Independent Auditor's Report

TOWN OF GRAND LAKE, COLORADO

PAY AS YOU THROW FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

For the Year Ended December 31, 2016

(With Comparative Totals for December 31, 2015)

	Original & Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues				
Bag Sales	\$ 46,460	\$ 42,697	\$ (3,763)	\$ 37,483
Interest Income	100	113	13	108
Total Revenues	<u>46,560</u>	<u>42,810</u>	<u>(3,750)</u>	<u>37,591</u>
Expenditures				
Operations Supplies	13,500	3,694	9,806	3,541
Repairs and Maintenance	2,000	1,142	858	1,298
Purchased Services	21,693	19,670	2,023	17,364
Professional Services	157	157	-	157
Other Expenses	1,250	363	887	254
Total Expenditures	<u>38,600</u>	<u>25,026</u>	<u>13,574</u>	<u>22,614</u>
Excess Revenues Over Expenditures	7,960	17,784	9,824	14,977
Funds Available - Beginning	<u>52,674</u>	<u>63,086</u>	<u>10,412</u>	<u>48,109</u>
Funds Available - Ending	<u>\$ 60,634</u>	<u>\$ 80,870</u>	<u>\$ 20,236</u>	<u>\$ 63,086</u>
Funds Available is Computed as Follows:				
Current Assets		\$ 80,870		\$ 63,398
Liabilities		-		(312)
		<u>\$ 80,870</u>		<u>\$ 63,086</u>

See the Independent Auditor's Report

OTHER INFORMATION

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

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

This Information From The Records Of Town of Grand Lake: Prepared By: Erin Ackerman
Phone: 970-627-3435

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	238,577
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	218,653
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	21,895
2. General fund appropriations	619,160	b. Snow and ice removal	136,654
3. Other local imposts (from page 2)	21,825	c. Other	23,188
4. Miscellaneous local receipts (from page 2)	96	d. Total (a. through c.)	181,737
5. Transfers from toll facilities	0	4. General administration & miscellaneous	12,630
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	13,846
a. Bonds - Original Issues	0	6. Total (1 through 5)	665,443
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	2,611
7. Total (1 through 6)	641,081	b. Redemption	85,000
B. Private Contributions	3,000	c. Total (a. + b.)	87,611
C. Receipts from State government (from page 2)	51,372	2. Notes:	
D. Receipts from Federal Government (from page 2)	57,600	a. Interest	0
E. Total receipts (A.7 + B + C + D)	753,054	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	87,611
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	753,054

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	85,000	0	85,000	0
1. Bonds (Refunding Portion)		0	0	
B. Notes (Total)	0	0	0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	753,054	753,054	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	735	f. Charges for Services	96
5. Specific Ownership &/or Other	21,090	g. Other Misc. Receipts	0
6. Total (1. through 5.)	21,825	h. Other	0
c. Total (a. + b.)	21,825	i. Total (a. through h.)	96
	(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	31,123	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	2,304	d. Federal Transit Admin	0
d. Other (Specify) - DOLA & CEO G	14,347	e. U.S. Corps of Engineers	0
e. Other (Specify) - Cigarette Select	3,599	f. Other Federal	57,600
f. Total (a. through e.)	20,250	g. Total (a. through f.)	57,600
4. Total (1. + 2. + 3.f)	51,372	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	0	225,701	225,701
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	0	0
(3). System Preservation	0	0	0
(4). System Enhancement & Operation	0	12,876	12,876
(5). Total Construction (1) + (2) + (3) + (4)	0	12,876	12,876
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	238,577	238,577
			(Carry forward to page 1)

Notes and Comments:

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