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Town of Hotchkiss  
Financial Statements and  
Independent Auditor's Report  
as of  
December 31, 2016

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**Town of Hotchkiss**

Table of Contents

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report.....   | 1           |
| Management's Discussion and Analysis.....   | 3           |
| Basic Financial Statements:   |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Position.....  | 12          |
| Statement of Activities.....  | 13          |
| Fund Financial Statements:  |             |
| Governmental Funds Balance Sheet.....   | 14          |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Position.....   | 15          |
| Governmental Funds Statement of Revenues, Expenditures<br>and Changes in Fund Balances.....   | 16          |
| Reconciliation of the Governmental Funds Statement of<br>Revenues, Expenditures and Changes in Fund Balances<br>to the Statement of Activities..... | 17          |
| Statement of Net Position-Enterprise Funds.....   | 18          |
| Statement of Revenues, Expenses and Changes in Net<br>Position-Enterprise Funds.....  | 19          |
| Statement of Cash Flows-Enterprise Funds.....   | 20          |
| Notes to Basic Financial Statements.....  | 21          |
| Required Supplementary Information  |             |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance-Budget and Actual:   |             |
| General Fund.....   | 34          |
| Sales Tax Capital Improvement Fund.....   | 35          |
| Other Supplementary Information   |             |
| Balance Sheet-Nonmajor Governmental Funds.....  | 36          |
| Statement of Revenues, Expenditures and Changes<br>in Fund Balances-Nonmajor Governmental Funds.....  | 37          |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances-Budget and Actual-Governmental Funds:  |             |
| Conservation Trust.....   | 38          |
| Schedules of Revenues, Expenditures and Changes in<br>Available Resources-Budget and Actual-Enterprise Funds:                                       |             |
| Water Fund.....   | 39          |
| Sanitation Fund.....  | 40          |
| Garbage Fund.....   | 41          |
| Local Highway Finance Report.....   | 42          |

|  |    |
|--|----|
| Single Audit Section   |    |
| Schedule of Expenditures of Federal Awards.....  | 44 |
| Notes to Schedule of Expenditures of Federal Awards.....   | 45 |
| Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of<br>Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> ..... | 46 |
| Report on Compliance for Each Major Program and on<br>Internal Control over Compliance Required by the<br>Uniform Guidance.....  | 48 |
| Schedule of Findings and Questioned Costs.....   | 50 |
| Summary Schedule of Prior Year Audit Findings.....   | 52 |

INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Hotchkiss, Colorado

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hotchkiss, Colorado, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in 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 3 through 11 and budgetary comparison information on page 34 through 35 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 Hotchkiss, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, Local Highway Finance Report and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, Local Highway Finance Report and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2017, on our consideration of the Town of Hotchkiss, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hotchkiss, Colorado's internal control over financial reporting and compliance.

***Blain & Associates, P.C.***

Cedaredge, Colorado  
September 5, 2017

**TOWN OF HOTCHKISS**  
Management's Discussion and Analysis  
Fiscal Year Ended December 31, 2016

As management of the Town of Hotchkiss (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

**FINANCIAL HIGHLIGHTS**

- The Town's assets exceeded its liabilities by \$ 11,031,066 (i.e. net position) as of December 31, 2016, an increase of \$ 996,633 in comparison to the prior year.
- Governmental funds reported combined ending fund balances of \$ 2,356,092, increase of \$ 119,672 in comparison with the prior year.
- The Town's fund balance for the General Fund was \$ 1,503,840 increase of \$ 649 in comparison to the prior year.
- Total long-term liabilities decreased by \$ 46,337 during the 2016 fiscal year with new no debt issued.
- General property tax, sales tax, and other tax totaled \$ 679,001 or 70% of general revenues.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The **statement of net position** presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the Town include general government administration, police, public works, and community center. The Business-type Activities of the Town include the following utilities: water, sanitation, and garbage.

### ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: Governmental Funds and Proprietary Funds.

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

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

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

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

### ***Notes to Financial Statements***

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted previously, net position may serve over time as a useful indicator of the Town’s financial position. For the year ended December 31, 2016, the Town’s combined assets exceeded liabilities by \$ 11,036,066. Of this amount, \$ 4,491,304 is unrestricted and available to meet the Town’s ongoing financial obligations.

By far the largest portion of net position is the investment in capital assets (net of related debt) of \$ 6,507,262 (59% of net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town’s governmental and business-type net position for 2016:

|  | Governmental<br>Activities<br>2015 | Governmental<br>Activities<br>2016 | Business<br>Type<br>Activities<br>2015 | Business<br>Type<br>Activities<br>2016 | Totals<br>2015       | Totals<br>2016       |
|--|------------------------------------|------------------------------------|--|--|----------------------|----------------------|
| Assets   |                                    |                                    |  |  |                      |                      |
| Current and other assets                             | \$ 2,318,093                       | \$ 2,430,039                       | \$ 2,175,314                           | \$ 2,237,064                           | \$ 4,493,407         | \$ 4,667,103         |
| Capital assets                                       | 1,340,187                          | 1,333,070                          | 5,160,084                              | 5,815,022                              | 6,500,271            | 7,148,092            |
| Total assets   | <u>\$ 3,658,280</u>                | <u>\$ 3,763,109</u>                | <u>\$ 7,335,398</u>                    | <u>\$ 8,052,086</u>                    | <u>\$ 10,993,678</u> | <u>\$ 11,815,195</u> |
| Current Liabilities                                  | \$ 14,473                          | \$ 4,702                           | \$ 154,439                             | \$ 30,773                              | \$ 168,912           | \$ 35,475            |
| Non-current liabilities                              |                                    |                                    |  |  |                      |                      |
| Compensated absences                                 | 30,966                             | 38,579                             | -                                      | -                                      | 30,966               | 38,579               |
| Loans payable  | -                                  | -                                  | 687,167                                | 640,830                                | 687,167              | 640,830              |
| Total liabilities                                    | <u>45,439</u>                      | <u>43,281</u>                      | <u>841,606</u>                         | <u>671,603</u>                         | <u>887,045</u>       | <u>714,884</u>       |
| Deferred inflow of resources                         | <u>67,200</u>                      | <u>69,245</u>                      | <u>-</u>                               | <u>-</u>                               | <u>67,200</u>        | <u>69,245</u>        |
| Net Position   |                                    |                                    |  |  |                      |                      |
| Investment in capital assets,<br>net of related debt | 1,340,187                          | 1,333,070                          | 4,472,917                              | 5,174,192                              | 5,813,104            | 6,507,262            |
| Restricted   | 38,100                             | 32,500                             | -                                      | -                                      | 38,100               | 32,500               |
| Unrestricted   | 2,167,354                          | 2,285,013                          | 2,020,875                              | 2,206,291                              | 4,188,229            | 4,491,304            |
| Total net position                                   | <u>\$ 3,545,641</u>                | <u>\$ 3,650,583</u>                | <u>\$ 6,493,792</u>                    | <u>\$ 7,380,483</u>                    | <u>\$ 10,039,433</u> | <u>\$ 11,031,066</u> |

An additional portion of net position, \$ 32,500, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$ 4,491,304 (41% of net position), may be used to meet the government’s ongoing obligations to citizens and creditors.

## Change in Net Position

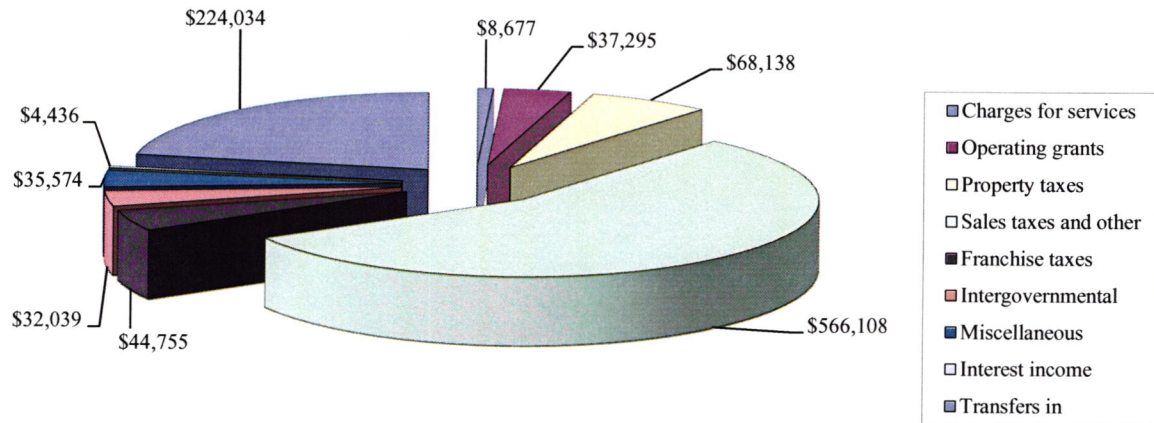
Governmental and business-type activities increased the Town's net position by \$ 996,633 in 2016.

|                         | Governmental<br>Activities<br>2015 | Governmental<br>Activities<br>2016 | Business<br>Type<br>Activities<br>2015 | Business<br>Type<br>Activities<br>2016 | Total<br>2015        | Total<br>2016        |
|-------------------------|------------------------------------|------------------------------------|--|--|----------------------|----------------------|
| <b>Revenues</b>         |                                    |                                    |  |  |                      |                      |
| Program revenues        |                                    |                                    |  |  |                      |                      |
| Charges for services    | \$ 14,443                          | \$ 8,677                           | \$ 705,245                             | \$ 734,114                             | \$ 719,688           | \$ 742,791           |
| Operating grants        | 36,687                             | 37,295                             | -                                      | -                                      | 36,687               | 37,295               |
| Capital grants          | -                                  | -                                  | 12,600                                 | 15,800                                 | 12,600               | 15,800               |
| <b>General Revenues</b> |                                    |                                    |  |  |                      |                      |
| Property taxes          | 65,381                             | 68,138                             | -                                      | -                                      | 65,381               | 68,138               |
| Sales taxes and other   | 570,380                            | 566,108                            | -                                      | -                                      | 570,380              | 566,108              |
| Franchise taxes         | 42,877                             | 44,755                             | -                                      | -                                      | 42,877               | 44,755               |
| Interest income         | 1,333                              | 4,436                              | 4,492                                  | 11,664                                 | 5,825                | 16,100               |
| Intergovernmental       | 54,536                             | 32,039                             | 160,836                                | 848,903                                | 215,372              | 880,942              |
| Miscellaneous           | 19,977                             | 35,574                             | 19,856                                 | 16,271                                 | 39,833               | 51,845               |
| Transfers in (out)      | 218,671                            | 224,034                            | (218,671)                              | (224,034)                              | -                    | -                    |
| Totals                  | <u>1,024,285</u>                   | <u>1,021,056</u>                   | <u>684,358</u>                         | <u>1,402,718</u>                       | <u>1,708,643</u>     | <u>2,423,774</u>     |
| <b>Expenses</b>         |                                    |                                    |  |  |                      |                      |
| General government      | 230,109                            | 283,166                            |  |  | 230,109              | 283,166              |
| Public safety           | 266,076                            | 270,135                            |  |  | 266,076              | 270,135              |
| Public works            | 361,009                            | 351,521                            | 510,803                                | 511,027                                | 871,812              | 862,548              |
| Culture and recreation  | 12,612                             | 11,292                             |  |  | 12,612               | 11,292               |
| Total expenses          | <u>869,806</u>                     | <u>916,114</u>                     | <u>510,803</u>                         | <u>511,027</u>                         | <u>1,380,609</u>     | <u>1,427,141</u>     |
| Increase in net assets  | 154,479                            | 104,942                            | 173,555                                | 891,691                                | 328,034              | 996,633              |
| Beginning               | 3,391,162                          | 3,545,641                          | 6,320,237                              | 6,493,792                              | 9,711,399            | 10,039,433           |
| Ending                  | <u>\$ 3,545,641</u>                | <u>\$ 3,650,583</u>                | <u>\$ 6,493,792</u>                    | <u>\$ 7,385,483</u>                    | <u>\$ 10,039,433</u> | <u>\$ 11,036,066</u> |

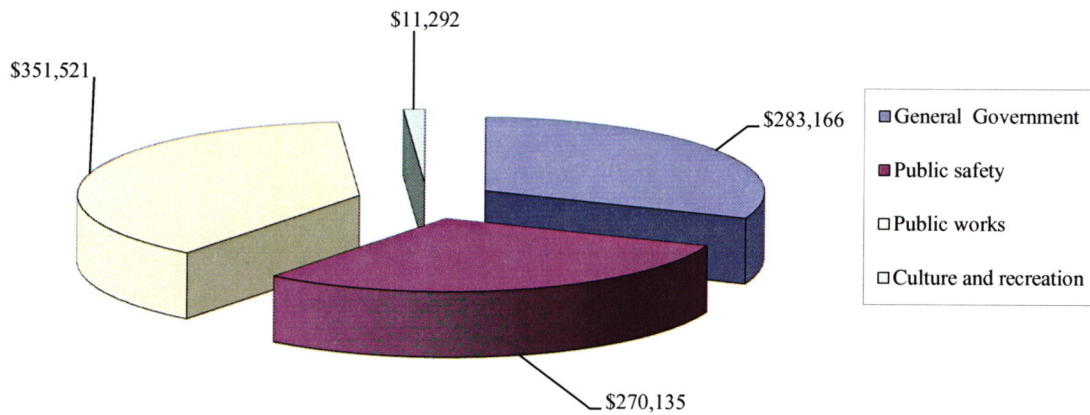
## Governmental Activities

Governmental activities increased the Town's net position by \$ 104,942.

Revenues by Source-Governmental Activities



Expenses by Department-Governmental Activities



## Business-type Activities

Business-type activities for the year resulted in an increase in net position of \$ 891,691. Charges for services accounted for 53% of total revenues.

## FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of 2016, the Town's governmental funds reported combined ending fund balances of \$ 2,356,092, an increase of \$ 119,672 in comparison with the prior year. Of the combined ending fund balances for all governmental funds 62% of this total amount, \$1,471,340, constitutes unassigned fund balance, which is available for appropriation at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is already committed to meet a State constitution mandated emergency reserve, \$ 32,500.

The Town has two major governmental funds, the General Fund, which is the primary operating fund for the Town, and the Sales Tax Capital Improvement Fund. At the end of 2016, unreserved fund balance of the General Fund was \$ 1,471,340, while the total fund balance was \$ 1,503,840. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The fund balance of the Town's General Fund increased by \$ 649 during 2016.

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

The Town has three enterprise funds: Water, Sanitation and Garbage Funds. At the end of 2016, these funds represented the following net position amounts:

| Fund:                               | Water       | Sanitation  | Garbage   |
|-------------------------------------|-------------|-------------|-----------|
| Unrestricted net position           | \$1,789,295 | \$ 398,918  | \$ 18,078 |
| Total net position                  | \$4,516,819 | \$2,845,586 | \$ 18,078 |
| Increase (decrease) in net position | \$ (14,059) | \$ 900,506  | \$ 244    |

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgeted \$ 868,647 for 2016 expenditures. Actual expenditures were \$ 809,161. There was no amendment to the original budget for General Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2016, was \$ 6,507,262. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements, and equipment.

|   | Balance<br>January 1, 2016 | Additions             | Dispositions    | Balance<br>December 31,<br>2016 |
|---|----------------------------|-----------------------|-----------------|---------------------------------|
| Governmental Activities                             |                            |                       |                 |                                 |
| Capital assets not<br>being depreciated             |                            |                       |                 |                                 |
| Land  | \$ 215,747                 | \$ -                  |                 | \$ 215,747                      |
|   | <u>215,747</u>             | <u>-</u>              | <u>-</u>        | <u>215,747</u>                  |
| Capital assets being<br>depreciated                 |                            |                       |                 |                                 |
| Buildings   | 592,526                    | -                     | -               | 592,526                         |
| Improvements other<br>than building                 | 139,150                    | -                     | -               | 139,150                         |
| Infrastructure                                      | 946,933                    | 38,239                | -               | 985,172                         |
| Equipment and vehicles                              | 618,728                    | 25,633                | -               | 644,361                         |
|   | <u>2,297,337</u>           | <u>63,872</u>         | <u>-</u>        | <u>2,361,209</u>                |
| Less accumulated<br>depreciation                    |                            |                       |                 |                                 |
| Buildings   | (339,761)                  | (11,971)              | -               | (351,732)                       |
| Improvements  | (113,564)                  | (4,713)               | -               | (118,277)                       |
| Infrastructure                                      | (178,410)                  | (29,181)              | -               | (207,591)                       |
| Equipment and vehicles                              | (541,162)                  | (25,124)              | -               | (566,286)                       |
|   | <u>(1,172,897)</u>         | <u>(70,989)</u>       | <u>-</u>        | <u>(1,243,886)</u>              |
| Capital asset being depreciated, net                | <u>1,124,440</u>           | <u>(7,117)</u>        | <u>-</u>        | <u>1,117,323</u>                |
| <br>Total Governmental<br>Activities Capital Assets | <br><u>\$ 1,340,187</u>    | <br><u>\$ (7,117)</u> | <br><u>\$ -</u> | <br><u>\$ 1,333,070</u>         |

|  | Balance<br>January 1,<br>2016 | Additions         | Dispositions | Balance<br>December 31,<br>2016 |
|--|-------------------------------|-------------------|--------------|---------------------------------|
| <b>Business - Type Activities</b>                |                               |                   |              |                                 |
| Capital assets not being depreciated             |                               |                   |              |                                 |
| Land and source of supply                        | \$ 370,647                    | \$ -              | \$ -         | \$ 370,647                      |
| Construction in progress                         | 403,006                       | 856,860           | -            | 1,259,866                       |
| Total  | <u>\$ 773,653</u>             | <u>\$ 856,860</u> | <u>\$ -</u>  | <u>\$ 1,630,513</u>             |
| Capital assets being depreciated                 |                               |                   |              |                                 |
| Utility systems                                  | 8,120,866                     | -                 | -            | 8,120,866                       |
| Equipment and furniture                          | 52,880                        | -                 | -            | 52,880                          |
| Less accumulated depreciation                    | (3,787,315)                   | (201,922)         | -            | (3,989,237)                     |
| Total  | <u>4,386,431</u>              | <u>(201,922)</u>  | <u>-</u>     | <u>4,184,509</u>                |
| Total Business-Type<br>Activities Capital Assets | <u>\$ 5,160,084</u>           | <u>\$ 654,938</u> | <u>\$ -</u>  | <u>\$ 5,815,022</u>             |

### Long-term Debt

As of December 31, 2016, the Town had long-term debt as follows:

|                                | Balance<br>January 1,<br>2016 | Additions       | Reductions         | Balance<br>December 31,<br>2016 | Due within<br>one year |
|--------------------------------|-------------------------------|-----------------|--------------------|---------------------------------|------------------------|
| <b>Governmental Activities</b> |                               |                 |                    |                                 |                        |
| Compensated absences           | \$ 30,966                     | \$ 7,613        | \$ -               | \$ 38,579                       | \$ -                   |
| Total                          | <u>\$ 30,966</u>              | <u>\$ 7,613</u> | <u>\$ -</u>        | <u>\$ 38,579</u>                | <u>\$ -</u>            |
| <b>Enterprise Activities</b>   |                               |                 |                    |                                 |                        |
| Loans payable                  | \$ 687,167                    | \$ -            | \$ (46,337)        | \$ 640,830                      | \$ 46,337              |
| Total                          | <u>\$ 687,167</u>             | <u>\$ -</u>     | <u>\$ (46,337)</u> | <u>\$ 640,830</u>               | <u>\$ 46,337</u>       |

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The Town of Hotchkiss is in good financial condition.
- The Town's General fund has a fund balance that will cover at least six months of normal expenditures.
- The Wal-Mart store within the County just east of the City of Delta continues to increase the Town's portion of County Sales tax.
- We anticipate some slow growth over the next few years.
- The service levels for Animal Control, Police, Street Maintenance, and Parks are budgeted to remain the same.
- The Town is currently installing Wastewater Treatment Plant.
- Improvement of streets within Town will continue, using the 1% sales tax generated within the Capital Improvement Fund.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

Town Clerk  
Town of Hotchkiss  
Hotchkiss, Co

**Town of Hotchkiss**  
**Statement of Net Position**  
**December 31, 2016**

|  | <b>Governmental<br/>Activities</b> | <b>Business -Type<br/>Activities</b> | <b>Total</b>         |
|--|------------------------------------|--------------------------------------|----------------------|
| <b>ASSETS</b>                                      |                                    |                                      |                      |
| Cash and cash equivalents                          | \$ 2,302,510                       | \$ 1,948,825                         | \$ 4,251,335         |
| Property taxes receivable                          | 69,245                             | -                                    | 69,245               |
| Accounts receivable                                | 10,712                             | 58,251                               | 68,963               |
| Note receivable                                    | -                                  | 230,157                              | 230,157              |
| Due from other governments                         | -                                  | 3,571                                | 3,571                |
| Internal balances                                  | 3,740                              | (3,740)                              | -                    |
| Due from other governments                         | 43,832                             | -                                    | 43,832               |
| Capital assets (Note 10)                           |                                    |                                      |                      |
| Nondepreciable                                     | 215,747                            | 773,653                              | 989,400              |
| Depreciable, net of accumulated depreciation       | 1,117,323                          | 5,041,369                            | 6,158,692            |
| <b>Total assets</b>                                | <u>3,763,109</u>                   | <u>8,052,086</u>                     | <u>11,815,195</u>    |
| <b>LIABILITIES</b>                                 |                                    |                                      |                      |
| Accounts payable                                   | 3,363                              | 30,773                               | 34,136               |
| Accrued payroll taxes                              | 1,339                              | -                                    | 1,339                |
| Compensated absences (Note 1-K)                    | 38,579                             | -                                    | 38,579               |
| Non current liabilities                            |                                    |                                      |                      |
| Due within one year (Note 7)                       | -                                  | 46,337                               | 46,337               |
| Due in more than one year (Note 7)                 | -                                  | 594,493                              | 594,493              |
| <b>Total liabilities</b>                           | <u>43,281</u>                      | <u>671,603</u>                       | <u>714,884</u>       |
| <b>Deferred Inflows of Resources</b>               |                                    |                                      |                      |
| Deferred property tax revenue (Note 1-H)           | 69,245                             | -                                    | 69,245               |
| <b>NET POSITION</b>                                |                                    |                                      |                      |
| Invested in capital assets,<br>net of related debt | 1,333,070                          | 5,174,192                            | 6,507,262            |
| Restricted for:                                    |                                    |                                      |                      |
| Emergencies  | 32,500                             | -                                    | 32,500               |
| Unrestricted                                       | 2,285,013                          | 2,206,291                            | 4,491,304            |
| <b>Total net position</b>                          | <u>\$ 3,650,583</u>                | <u>\$ 7,380,483</u>                  | <u>\$ 11,031,066</u> |

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss  
Statement of Activities  
For the Year Ended December 31, 2016**

| Functions/Programs                     | Expenses            | Program Revenues                   |  |  |
|--|---------------------|------------------------------------|--|--|
|  |                     | Charges for<br>Service and<br>Fees | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary government:</b>             |                     |                                    |  |  |
| <b>Governmental activities:</b>        |                     |                                    |  |  |
| General government                     | \$ 283,166          | \$ 1,145                           | \$ -                                     | \$ -                                   |
| Public Safety                          | 270,135             | 7,532                              |  | -                                      |
| Public Works                           | 351,521             | -                                  | 32,261                                   | -                                      |
| Culture and Recreation                 | 11,292              | -                                  | 5,034                                    | -                                      |
| <b>Total governmental activities</b>   | <u>916,114</u>      | <u>8,677</u>                       | <u>37,295</u>                            | <u>-</u>                               |
| <b>Business-type activities:</b>       |                     |                                    |  |  |
| Water                                  | 281,034             | 379,374                            | -  | 11,100                                 |
| Sanitation                             | 119,307             | 240,815                            | -  | 4,700                                  |
| Garbage                                | 110,686             | 113,925                            | -  |  |
| <b>Total business- type activities</b> | <u>511,027</u>      | <u>734,114</u>                     | <u>-</u>                                 | <u>15,800</u>                          |
| <b>Total primary government</b>        | <u>\$ 1,427,141</u> | <u>\$ 742,791</u>                  | <u>\$ 37,295</u>                         | <u>\$ 15,800</u>                       |

**General Revenues**

Taxes:

- Property taxes
- Specific ownership
- Sales taxes and miscellaneous
- Franchise taxes
- Miscellaneous
- Intergovernmental
- Investment earnings

**Transfers In (out)**

**Total General Revenues and Transfers**

**Changes in Net Position**

**Net Position-January 1**

**Net Position-December 31**

**Net (Expense) Revenue and Changes in Net Position**

**Primary Government**

| <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (282,021)                       | \$ -                                | \$ (282,021)         |
| (262,603)                          | -                                   | (262,603)            |
| (319,260)                          | -                                   | (319,260)            |
| (6,258)                            | -                                   | (6,258)              |
| <u>(870,142)</u>                   |                                     | <u>(870,142)</u>     |
| -                                  | 109,440                             | 109,440              |
| -                                  | 126,208                             | 126,208              |
| -                                  | 3,239                               | 3,239                |
| -                                  | <u>238,887</u>                      | <u>235,648</u>       |
| <u>(870,142)</u>                   | <u>238,887</u>                      | <u>(634,494)</u>     |
| 68,138                             | -                                   | 68,138               |
| 9,973                              | -                                   | 9,973                |
| 556,135                            | -                                   | 556,135              |
| 44,755                             | -                                   | 44,755               |
| 35,574                             | 16,271                              | 51,845               |
| 32,039                             | 848,903                             | 880,942              |
| 4,436                              | 11,664                              | 16,100               |
| 224,034                            | (224,034)                           | -                    |
| <u>975,084</u>                     | <u>652,804</u>                      | <u>1,627,888</u>     |
| 104,942                            | 891,691                             | 996,633              |
| 3,545,641                          | 6,493,792                           | 10,039,433           |
| <u>\$ 3,650,583</u>                | <u>\$ 7,385,483</u>                 | <u>\$ 11,036,066</u> |

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss  
Governmental Funds  
Balance Sheet  
December 31, 2016**

|   | <u>General<br/>Fund</u> | <u>Sales Tax<br/>Capital<br/>Improvement</u> | <u>Non<br/>Major<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|--|--------------------------------|---|
| <b>Assets</b>                             |                         |  |                                |   |
| Cash and cash equivalents                 | \$ 1,468,797            | \$ 824,687                                   | \$ 9,026                       | \$ 2,302,510                            |
| Taxes receivable                          | 46,163                  | 23,082                                       | -                              | 69,245                                  |
| Due from other funds                      | 3,740                   | 225  | -                              | 3,965                                   |
| Due from other governments                | 25,613                  | 18,219                                       | -                              | 43,832                                  |
| Accounts receivable                       | 10,465                  | 247  | -                              | 10,712                                  |
| <b>Total assets</b>                       | <u>\$ 1,554,778</u>     | <u>\$ 866,460</u>                            | <u>\$ 9,026</u>                | <u>\$ 2,430,264</u>                     |
| <b>Liabilities and Fund Balance</b>       |                         |  |                                |   |
| <b>Liabilities:</b>                       |                         |  |                                |   |
| Accounts payable                          | \$ 3,211                | \$ -   | \$ 152                         | \$ 3,363                                |
| Accrued payroll taxes                     | 1,339                   | -  | -                              | 1,339                                   |
| Due to other funds                        | 225                     | -  | -                              | 225                                     |
| <b>Total liabilities</b>                  | <u>4,775</u>            | <u>-</u>                                     | <u>152</u>                     | <u>4,927</u>                            |
| <b>Deferred Inflows of Resources</b>      |                         |  |                                |   |
| Deferred property tax revenue             | 46,163                  | 23,082                                       | -                              | 69,245                                  |
| <b>Fund balances:</b>                     |                         |  |                                |   |
| <b>Restricted</b>                         |                         |  |                                |   |
| Reserve for emergencies                   | 32,500                  | -  | -                              | 32,500                                  |
| Parks and recreation                      | -                       | -  | 8,874                          | 8,874                                   |
| <b>Committed</b>                          |                         |  |                                |   |
| Capital purchases                         | -                       | 843,378                                      | -                              | 843,378                                 |
| <b>Unassigned</b>                         | <u>1,471,340</u>        | <u>-</u>                                     | <u>-</u>                       | <u>1,471,340</u>                        |
| <b>Total fund balance</b>                 | <u>1,503,840</u>        | <u>843,378</u>                               | <u>8,874</u>                   | <u>2,356,092</u>                        |
| <b>Total liabilities and fund balance</b> | <u>\$ 1,554,778</u>     | <u>\$ 866,460</u>                            | <u>\$ 9,026</u>                | <u>\$ 2,430,264</u>                     |

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss  
 Reconciliation of the Governmental Funds Balance  
 Sheet to the Statement of Net Position  
 December 31, 2016**

---

**Total fund balance, governmental funds** \$ 2,356,092

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

|                               |                    |           |
|-------------------------------|--------------------|-----------|
| Cost of capital assets        | \$ 2,576,956       |           |
| Less accumulated depreciation | <u>(1,243,886)</u> | 1,333,070 |

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

|                      |  |          |
|----------------------|--|----------|
| Compensated absences |  | (38,579) |
|----------------------|--|----------|

|   |  |                            |
|---|--|----------------------------|
| <b>Net Position of Governmental Activities in the Statement of Net Position</b> |  | <u><u>\$ 3,650,583</u></u> |
|---|--|----------------------------|

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2016**

|  | <b>General<br/>Fund</b> | <b>Sales Tax<br/>Capital<br/>Improvement<br/>Fund</b> | <b>Non<br/>Major<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|--------------------------------|---|
| <b>Revenues</b>  |                         |   |                                |   |
| Taxes  | \$ 412,403              | \$ 266,598  | \$ -                           | \$ 679,001                              |
| Fees and fines   | 7,532                   | -   | -                              | 7,532                                   |
| Licenses and permits   | 1,145                   | -   | -                              | 1,145                                   |
| Intergovernmental  | 64,300                  | -   | 5,034                          | 69,334                                  |
| Miscellaneous  | 39,214                  | 796   | -                              | 40,010                                  |
| <b>Total revenues</b>  | <u>524,594</u>          | <u>267,394</u>  | <u>5,034</u>                   | <u>797,022</u>                          |
| <b>Expenditures</b>  |                         |   |                                |   |
| Current:   |                         |   |                                |   |
| General government   | 240,973                 | -   | -                              | 240,973                                 |
| Public safety  | 257,199                 | -   | -                              | 257,199                                 |
| Public works   | 310,989                 | -   | -                              | 310,989                                 |
| Culture and recreation                                       | -                       | -   | 6,569                          | 6,569                                   |
| Capital outlay   | -                       | 85,654  | -                              | 85,654                                  |
| <b>Total expenditures</b>                                    | <u>809,161</u>          | <u>85,654</u>   | <u>6,569</u>                   | <u>901,384</u>                          |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <u>(284,567)</u>        | <u>181,740</u>  | <u>(1,535)</u>                 | <u>(104,362)</u>                        |
| <b>OTHER FINANCING (USES)</b>                                |                         |   |                                |   |
| Transfers in (out)   | 285,216                 | (67,667)  | 6,485                          | 224,034                                 |
| <b>Total other financing (uses)</b>                          | <u>285,216</u>          | <u>(67,667)</u>                                       | <u>6,485</u>                   | <u>224,034</u>                          |
| <b>Net change to fund balance</b>                            | 649                     | 114,073   | 4,950                          | 119,672                                 |
| <b>Fund balance, January 1</b>                               | <u>1,503,191</u>        | <u>729,305</u>  | <u>3,924</u>                   | <u>2,236,420</u>                        |
| <b>Fund balance, December 31</b>                             | <u>\$ 1,503,840</u>     | <u>\$ 843,378</u>                                     | <u>\$ 8,874</u>                | <u>\$ 2,356,092</u>                     |

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2016**

---

**Net change in fund balances - total governmental funds** \$ 119,672

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|  |           |         |
|--|-----------|---------|
| Fixed assets current additions             | \$ 63,872 |         |
| Depreciation expense                       | (70,989)  |         |
| Excess of capital outlay over depreciation | (7,117)   | (7,117) |

Repayment of long-term debt principal is reported as an expenditure in the governmental funds but reduces long-term liabilities in the statement of net position.

|                                  |  |         |
|----------------------------------|--|---------|
| Decrease of compensated absences |  | (7,613) |
|----------------------------------|--|---------|

|   |  |                   |
|---|--|-------------------|
| <b>Change in net position of governmental funds</b> |  | <b>\$ 104,942</b> |
|---|--|-------------------|

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss  
Statement of Net Position  
Enterprise Funds  
December 31, 2016**

|   | <b>Enterprise Funds</b> |                            |
|---|-------------------------|----------------------------|
|   | <b>Water<br/>Fund</b>   | <b>Sanitation<br/>Fund</b> |
| <b>ASSETS</b>                                   |                         |                            |
| <b>Current Assets</b>                           |                         |                            |
| Cash and cash equivalents                       | \$ 1,167,820            | \$ 764,285                 |
| Notes receivable                                | 230,157                 | -                          |
| Due from other governments                      | -                       | 3,571                      |
| Due from other funds                            | 383,118                 | -                          |
| Accounts receivable, net                        | 25,848                  | 21,762                     |
| <b>Total Current Assets</b>                     | <u>1,806,943</u>        | <u>789,618</u>             |
| <b>Noncurrent Assets</b>                        |                         |                            |
| Capital assets                                  |                         |                            |
| Land and improvements                           | -                       | 251,425                    |
| Water rights                                    | 119,222                 | -                          |
| Utility system                                  | 5,621,374               | 2,499,493                  |
| Equipment and furniture                         | 41,834                  | 11,046                     |
| Less accumulated depreciation                   | (2,644,203)             | (1,345,035)                |
| <b>Total Noncurrent Assets</b>                  | <u>3,138,227</u>        | <u>2,676,795</u>           |
| <b>Total Assets</b>                             | <u>\$ 4,945,170</u>     | <u>\$ 3,466,413</u>        |
| <b>LIABILITIES</b>                              |                         |                            |
| <b>Current Liabilities</b>                      |                         |                            |
| Accounts payable                                | \$ 13,908               | \$ 7,582                   |
| Due to other funds                              | 3,740                   | 383,118                    |
| Current portion on long-term debt               | 34,225                  | 12,112                     |
| <b>Total Current Liabilities</b>                | <u>51,873</u>           | <u>402,812</u>             |
| <b>Long-Term Debt</b>                           |                         |                            |
| Loans payable                                   | 376,478                 | 218,015                    |
| <b>Total Long-Term Debt</b>                     | <u>376,478</u>          | <u>218,015</u>             |
| <b>NET POSITION</b>                             |                         |                            |
| Invested in capital assets, net of related debt | 2,727,524               | 2,446,668                  |
| Unrestricted                                    | 1,789,295               | 398,918                    |
| <b>Total Net Position</b>                       | <u>\$ 4,516,819</u>     | <u>\$ 2,845,586</u>        |

The accompanying notes are an integral part of this statement.

| <u>Garbage<br/>Fund</u> | <u>Total<br/>Enterprise Funds</u> |
|-------------------------|-----------------------------------|
| \$ 16,720               | \$ 1,948,825                      |
| -                       | 230,157                           |
| -                       | 3,571                             |
| -                       | 383,118                           |
| 10,641                  | 58,251                            |
| <u>27,361</u>           | <u>2,623,922</u>                  |
| -                       | 251,425                           |
| -                       | 119,222                           |
| -                       | 8,120,867                         |
| -                       | 52,880                            |
| -                       | <u>(3,989,238)</u>                |
| -                       | 5,815,022                         |
| <u>\$ 27,361</u>        | <u>\$ 8,438,944</u>               |
| <br>                    |                                   |
| \$ 9,283                | \$ 30,773                         |
| -                       | 386,858                           |
| -                       | 46,337                            |
| <u>9,283</u>            | <u>463,968</u>                    |
| <br>                    |                                   |
| -                       | 594,493                           |
| -                       | <u>594,493</u>                    |
| <br>                    |                                   |
| -                       | 5,174,192                         |
| 18,078                  | 2,206,291                         |
| <u>\$ 18,078</u>        | <u>\$ 7,380,483</u>               |

**Town of Hotchkiss**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Enterprise Funds**  
**Year Ended December 31, 2016**

|   | <b>Enterprise Funds</b> |                            |
|---|-------------------------|----------------------------|
|   | <b>Water<br/>Fund</b>   | <b>Sanitation<br/>Fund</b> |
| <b>Operating revenues:</b>                            |                         |                            |
| Charges for services                                  | \$ 379,374              | \$ 240,815                 |
| <b>Total operating revenues</b>                       | <u>379,374</u>          | <u>240,815</u>             |
| <b>Operating expenses:</b>                            |                         |                            |
| Purchased services                                    | 18,972                  | 4,195                      |
| Contractual services                                  | -                       | -                          |
| Utilities   | 19,342                  | 37,192                     |
| Repairs and maintenance                               | 27,749                  | 346                        |
| Other supplies and expenses                           | 61,879                  | 15,140                     |
| Insurance claims and expenses                         | 6,802                   | 6,802                      |
| Depreciation  | 146,290                 | 55,632                     |
| <b>Total operating expenses</b>                       | <u>281,034</u>          | <u>119,307</u>             |
| <b>Operating income (loss)</b>                        | <u>98,340</u>           | <u>121,508</u>             |
| <b>Nonoperating revenues (expenses):</b>              |                         |                            |
| Transfers in (out)                                    | (144,351)               | (76,683)                   |
| Interest income                                       | 8,081                   | 3,578                      |
| Miscellaneous   | 12,771                  | 3,500                      |
| Grants  | 5,000                   | 843,903                    |
| Interest expense                                      | -                       | -                          |
| <b>Total nonoperating revenues (expenses)</b>         | <u>(118,499)</u>        | <u>774,298</u>             |
| <b>Income (loss) before<br/>capital contributions</b> | (20,159)                | 895,806                    |
| <b>Capital contributions-Tap fees</b>                 | 6,100                   | 4,700                      |
| <b>Change in net assets</b>                           | (14,059)                | 900,506                    |
| <b>Total net position, January 1</b>                  | 4,530,878               | 1,945,080                  |
| <b>Total net position, December 31</b>                | <u>\$ 4,516,819</u>     | <u>\$ 2,845,586</u>        |

The accompanying notes are an integral part of this statement.

| <u>Garbage<br/>Fund</u> | <u>Total</u>        |
|-------------------------|---------------------|
| \$ 113,925              | \$ 734,114          |
| <u>113,925</u>          | <u>734,114</u>      |
| -                       | 23,167              |
| 110,686                 | 110,686             |
| -                       | 56,534              |
| -                       | 28,095              |
| -                       | 77,019              |
| -                       | 13,604              |
| -                       | 201,922             |
| <u>110,686</u>          | <u>511,027</u>      |
| <u>3,239</u>            | <u>223,087</u>      |
| (3,000)                 | (224,034)           |
| 5                       | 11,664              |
| -                       | 16,271              |
| -                       | 848,903             |
| -                       | -                   |
| <u>(2,995)</u>          | <u>652,804</u>      |
| 244                     | 875,891             |
| -                       | 10,800              |
| 244                     | 886,691             |
| 17,834                  | 6,493,792           |
| <u>\$ 18,078</u>        | <u>\$ 7,380,483</u> |

**Town of Hotchkiss  
Statement of Cash Flows  
Enterprise Funds  
Year Ended December 31, 2016**

|   | <b>Enterprise Funds</b> |                            |
|---|-------------------------|----------------------------|
|   | <b>Water<br/>Fund</b>   | <b>Sanitation<br/>Fund</b> |
| <b>Cash Flows From Operating Activities</b>   |                         |                            |
| Cash received from charges for services   | \$ 394,561              | \$ 579,448                 |
| Cash received other   | 38,199                  | (38,199)                   |
| Cash payments for goods and services  | (123,018)               | (199,194)                  |
| <b>Net cash provided (used) by operating activities</b>   | <u>309,742</u>          | <u>342,055</u>             |
| <b>Cash Flows from Noncapital Financing Activities</b>  |                         |                            |
| Transfers (out)   | (144,351)               | (76,683)                   |
| Miscellaneous revenues  | 12,771                  | 3,500                      |
| <b>Net cash provided (used) by noncapital financing activities</b>                                    | <u>(131,580)</u>        | <u>(73,183)</u>            |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                       |                         |                            |
| Tap fees  | 6,100                   | 4,700                      |
| Acquisition of capital assets   | -                       | (856,860)                  |
| Principal paid on loans and leases  | (34,225)                | (12,112)                   |
| Grants and loan proceeds  | 5,000                   | 843,903                    |
| Interest expense  | -                       | -                          |
| <b>Net cash provided (used) by capital and related financing activities</b>                           | <u>(23,125)</u>         | <u>(20,369)</u>            |
| <b>Cash Flows from Investing Activities</b>   |                         |                            |
| Interest on investments   | 8,081                   | 3,578                      |
| <b>Net increase (decrease) in cash and equivalents</b>  | 163,118                 | 252,081                    |
| <b>Cash balances, January 1</b>   | <u>1,004,702</u>        | <u>512,204</u>             |
| <b>Cash balances, December 31</b>   | <u>\$ 1,167,820</u>     | <u>\$ 764,285</u>          |
| <b>Reconciling of operating income (loss) to net cash provided (used) by operating activities:</b>    |                         |                            |
| Operating income (loss)   | 98,340                  | 121,508                    |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                         |                            |
| Depreciation expense  | 146,290                 | 55,632                     |
| Assets (increase) decrease:   |                         |                            |
| Accounts receivable   | (3,993)                 | 338,633                    |
| Notes receivable  | 19,180                  | -                          |
| Due from or to other funds  | 38,199                  | -                          |
| Liabilities increase (decrease):  |                         |                            |
| Due to other funds  | -                       | (38,199)                   |
| Accounts payable  | 11,726                  | (135,519)                  |
| Total adjustments   | <u>211,402</u>          | <u>220,547</u>             |
| <b>Net cash provided (used) by operating activities</b>   | <u>\$ 309,742</u>       | <u>\$ 342,055</u>          |

See accompanying notes to the basic financial statements.

| <u>Enterprise Funds</u> | <u>Total</u>        |
|-------------------------|---------------------|
| <u>Garbage</u>          | <u>Enterprise</u>   |
| <u>Fund</u>             | <u>Funds</u>        |
| \$ 113,609              | \$ 1,087,618        |
| -                       | -                   |
| <u>(110,559)</u>        | <u>(432,771)</u>    |
| <u>3,050</u>            | <u>654,847</u>      |
| (3,000)                 | (224,034)           |
| -                       | 16,271              |
| <u>(3,000)</u>          | <u>(207,763)</u>    |
| -                       | 10,800              |
| -                       | (856,860)           |
| -                       | (46,337)            |
| -                       | 848,903             |
| -                       | -                   |
| <u>-</u>                | <u>(43,494)</u>     |
| <u>5</u>                | <u>11,664</u>       |
| 55                      | 415,254             |
| <u>16,665</u>           | <u>1,533,571</u>    |
| <u>\$ 16,720</u>        | <u>\$ 1,948,825</u> |
| <u>3,239</u>            | <u>223,087</u>      |
| -                       | 201,922             |
| (316)                   | 334,324             |
| -                       | 19,180              |
| -                       | 38,199              |
| -                       | (38,199)            |
| <u>127</u>              | <u>(123,666)</u>    |
| <u>(189)</u>            | <u>431,760</u>      |
| <u>\$ 3,050</u>         | <u>\$ 654,847</u>   |

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Town of Hotchkiss, Colorado (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Financial Reporting Entity**

The Town is a statutory municipality with a mayor – council form of government with seven elected Council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Hotchkiss (the primary government). The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing body.

**B. Government-wide Financial Statements**

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

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

**C. Fund Financial Statements**

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

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

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**C. Fund Financial Statements (continued)**

The Town reports the following major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- The Sales Tax Capital Improvement Fund, which accounts for 50% of the town's sales tax to be used for capital improvements and acquisition.

The remaining governmental funds are aggregated and presented as non-major funds. Those funds include:

- The Conservation Trust Fund, which accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investment.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Town are charges for water, sewer and garbage fees. Operating expenses for the enterprise funds include purchased services, utilities, repairs and maintenance, supplies, insurance and depreciation cost. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

The Town reports the following major enterprise fund business-type activities:

- Water, Sanitation and Garbage Funds, which account for all operations of the Town's water, sanitation and garbage services. They are primarily financed by user charges.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 1 - Summary of Significant Accounting Policies** (continued)

**D. Measurement Focus and Basis of Accounting** (continued)

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days at the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due, and compensated absences which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are interest revenue and charges for services. Entitlement revenues are not susceptible to accrual because generally, they are not measurable until received. Grant revenues are recognized as they are earned.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Deferred Outflows / Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Property taxes revenue that are related to a future period have been recorded as deferred inflows. Grants and entitlements received before eligibility requirements are met (e.g., cash advances) are recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**E. Cash and Cash Equivalents**

For the purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

**F. Investments**

Money market funds and sweep accounts are stated at cost, which is equal to fair market value.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Property Taxes**

Property taxes for the current year are levied and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred inflows of resources in the governmental and enterprise funds.

**I. Capital Assets**

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of one or more years, and for which the initial, individual value equals or exceeds \$ 5,000.

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| <u>Asset Class</u>              | <u>Useful Life</u> |
|---------------------------------|--------------------|
| Building and Other Improvements | 20-40 years        |
| Utility Plant and System        | 40-50 years        |
| Furniture and Equipment         | 3-10 years         |
| Infrastructure                  | 15-50 years        |

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 capitalized assets as their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

Under GASB 34 the town is not required to retroactively report on infrastructure assets before June 30, 2004. Therefore, infrastructure assets before that date are not shown on the financial statements.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**J. Long-Term Liabilities**

In the government-wide financial statements, and enterprise 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 enterprise fund type statement of net assets. The long-term compensated absences are serviced from revenues of the General Fund from future appropriations.

**K. Compensated Absences**

Vacation time accumulates at the rate of five (5) days a year for employees with one year of service. For employees with 2-9 years, ten (10) days per year, and ten (10) years and after of service, fifteen (15) days. The maximum accumulation of vacation time is five (5) days per year. Sick leave accumulates at one (1) day per month with a maximum unused sick leave accumulated at 60 days. Sick leave will be paid at three (3) days of sick leave equivalent to one (1) vacation day at termination or retirement

Accrued vacation and sick leave consist of the following at December 31, 2016:

|               |                  |
|---------------|------------------|
| Vacation time | \$ 16,296        |
| Sick leave    | <u>22,283</u>    |
| Total         | <u>\$ 38,579</u> |

**L. Net Position**

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

**M. Interfund Transactions**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year end, outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**N. Encumbrances**

The Town does not use an encumbrance system for budgetary control.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**O. Accounts Receivable**

The Town considers accounts receivable for water and sewer to be fully collectible because the Town can place liens on the individual properties; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**P. Fund Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-spendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

**Note 2 - Reconciliation of Government-wide and Fund Financial Statements**

The governmental funds balance sheet includes reconciliation between fund balances total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The enterprise fund statement of net position and statement of revenues, expenses and changes in net position also includes reconciliation to the government-wide statement of net position and activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 3 - Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.” The Town’s voters on November 8, 1994, approved a ballot measure to permit the Town to collect, retain and expend the full proceeds of the Town’s sales tax, and state and federal grants.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment.

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending. A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment.

**Note 4 - Budgets**

The Town adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- A. By September of each year, the Town Clerk gives public notice of the budget calendar for the next fiscal year. The Town Clerk asks that all Town departments, boards, commissions or citizens submit within thirty days from the notice, any request for funds under the budget being prepared. The Town Clerk then prepares a proposed budget for the ensuing fiscal year and submits it to the Council no later than forty-five days prior to any date required by state law for the certification to the County of the tax levy.
- B. The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies, and anticipated net surplus or deficit for the ensuing fiscal year.
- C. A public hearing on the proposed budget is held by the Council in early December.
- D. The Council adopts the budget by resolution on or before the final day established by law for the certification of the ensuing year’s tax levy to the County. Adoption of the budget by the Council shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.
- E. If during the fiscal year the Town Clerk determines that there are expenses in excess of those estimated in the budget, the Council by resolution may make supplemental appropriations for the year up to the amount of such excess. To meet an emergency affecting public property, health, peace or safety, the Council may make emergency appropriations. If at any time during the fiscal year it appears probable to the Town Clerk that the revenues available will be insufficient to meet the amount appropriated, the Town Clerk reports to the Council, indicating the estimated amount of deficit, any remedial action already taken, and a recommendation as to any other steps to be taken. Any time during the fiscal year the Town Clerk may transfer part or all of any unencumbered appropriation balance within a department.
- F. Budget appropriations lapse at the end of each year.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 4 - Budgets (continued)**

- G. Expenditures may not exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. There were one revision made to the original budgeted expenditures for the year. The town could be in violation of Colorado Budget Law because expenses exceed budgetary amounts in the Garbage Fund.
- H. Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.
- I. Budget for the Enterprise Funds are adopted on a basis consistent with the Governmental Funds. Following are the adjustments to convert GAAP Basis expenditures to budgetary basis expenditures:

|                         | Water      | Sanitation   | Garbage    |
|-------------------------|------------|--------------|------------|
| GAAP Basis              | \$ 425,385 | \$ 195,991   | \$ 113,686 |
| Add (deduct):           |            |              |            |
| Depreciation            | (146,290)  | (55,632)     | -          |
| Capital outlay          | -          | 856,860      | -          |
| Debt principal payments | 34,225     | 50,311       | -          |
| Budgetary basis         | 313,320    | 1,047,530    | 113,686    |
| Final budget            | 368,720    | 2,086,261    | 114,000    |
| Variance                | \$ 55,400  | \$ 1,038,731 | \$ 314     |

**Note 5 - Deposits and Investments**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local governments deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2016, the bank balance of the Town's deposits was \$ 2,040,751 of which \$ 250,000 was covered by federal depository insurance and \$ 1,790,751 was collateralized under PDPA.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 5 - Deposits and Investments** (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town has no formal investment policy. At December 31, 2016 the Town's investments included funds held in government Colotrust.

The Town had invested \$ 2,219,376 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC. COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

The composition of all cash and cash investments held by the Town at December 31, 2016 is as follows:

|  |                     |
|--|---------------------|
| Cash on hand and with the County Treasurer | \$ 1,274            |
| Cash in bank                               | 2,030,685           |
| Colotrust                                  | <u>2,219,376</u>    |
| Total cash and investments                 | <u>\$ 4,251,335</u> |

Interest rate risk-The town does not have a formal policy limiting investment maturities, other than that established by the state statute of five years, which would help manage its exposure to fair value losses from increasing interest rates.

Credit risk-Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Town's policy to limit its investments to U.S. Treasury obligations, certain U.S. government agencies securities, commercial paper, local government investment pools, repurchase agreements and money market funds.

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 6 - Interfund Transactions**

Interfund receivable and payable balances as of December 31, 2016 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>   |
|------------------------|---------------------|-----------------|
| General                | Water               | \$ 3,740        |
| Capital Improvement    | General             | <u>225</u>      |
|                        |                     | <u>\$ 3,965</u> |

The outstanding balance between funds result mainly from the time lag between the date of payments between funds are made and borrowing from the pooled cash account.

The following are the interfund transfers that occurred in 2016:

| Funds                              | <u>Transfers</u>  |                   |
|------------------------------------|-------------------|-------------------|
|                                    | <u>In</u>         | <u>Out</u>        |
| Water Fund                         | \$                | \$ 144,351        |
| Garbage Fund                       |                   | 3,000             |
| General Fund                       | 291,701           | 6,485             |
| Sanitation Fund                    |                   | 76,683            |
| Conservation Trust Fund            | 6,485             |                   |
| Sales Tax Capital Improvement Fund |                   | <u>67,667</u>     |
| Totals                             | <u>\$ 298,186</u> | <u>\$ 298,186</u> |

Transfers are used to reimburse the general fund for personnel cost and administrative fees.

**Note 7 - Long-Term Liabilities**

|                         | <u>Balance</u><br><u>January 1,</u><br><u>2016</u> | <u>Additions</u> | <u>Reductions</u>  | <u>Balance</u><br><u>December 31,</u><br><u>2016</u> | <u>Due within</u><br><u>one year</u> |
|-------------------------|--|------------------|--------------------|--|--------------------------------------|
| Governmental Activities |  |                  |                    |  |                                      |
| Compensated absences    | \$ 30,966  | \$ 7,613         | \$ -               | \$ 38,579  | \$ -                                 |
| Total                   | <u>\$ 30,966</u>                                   | <u>\$ 7,613</u>  | <u>\$ -</u>        | <u>\$ 38,579</u>                                     | <u>\$ -</u>                          |
| Enterprise Activities   |  |                  |                    |  |                                      |
| Loans payable           | \$ 687,167   | \$ -             | \$ (46,337)        | \$ 640,830   | \$ 46,337                            |
| Total                   | <u>\$ 687,167</u>                                  | <u>\$ -</u>      | <u>\$ (46,337)</u> | <u>\$ 640,830</u>                                    | <u>\$ 46,337</u>                     |

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**Note 7 - Long-Term Liabilities** (continued)

**A. Colorado Water Resources and Power Development Authority:**

Total amount owed at December 31, 2016 was \$410,703. This loan is interest free. Semiannual payments of \$17,112.62.

|              | Principal  |
|--------------|------------|
| 2017         | \$ 34,225  |
| 2018         | 34,225     |
| 2019         | 34,225     |
| 2020         | 34,225     |
| 2021         | 34,225     |
| 2022 to 2026 | 171,125    |
| 2027 to 2028 | 68,453     |
| Total        | \$ 410,703 |

**B. Colorado Water Resources and Power Development Authority:**

The Colorado Water Resources and Power Development Authority loaned the Town \$242,239, through Water Pollution Control Revolving Fund Disadvantage Communities Loan Program, an interest free loan and is payable in principal installments of \$ 6,055.98 on May 1 and November 1 of each year. The loan mature on November 1, 2035.

|              | Principal  |
|--------------|------------|
| 2017         | \$ 12,112  |
| 2018         | 12,112     |
| 2019         | 12,112     |
| 2020         | 12,112     |
| 2021         | 12,112     |
| 2022 to 2026 | 60,560     |
| 2027 to 2031 | 60,560     |
| 2032 to 2035 | 48,447     |
| Total        | \$ 230,127 |

**Note 8 - Contingent liabilities**

Risk management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town pays an annual premium to Colorado State Compensation for its workmen's compensation insurance coverage, and has purchased general liability and property insurance through commercial insurers. There were no settlements exceeding insurance coverage over the last three years.

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 9 - Retirement Plans**

Defined Contribution Plan

The Town has a defined contribution plan for its employees which is administered by Colorado County Officials and Employees Retirement Association (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate six months from the date of employment. Both the employees and the Town make a basic contribution of 6% of the employee's salary (except for police officers whose contribution is 2.87% to CCOERA and 3.13% to another plan). Employees may make additional voluntary contributions not to exceed 10% of compensations. Participants vest in employer contributions and in earnings, losses and changes in fair market value of Plan assets at a rate of 20% per year. Any nonvested Town contributions forfeited by an employee who leaves the Town's employment are remitted to the Town. The Town's total payroll in 2016 was \$ 454,998. The total payroll covered by the plan was \$383,866. A contribution of \$ 29,896 was made to the plan in 2016. This contribution consisted of the Town's contribution of \$ 12,326 and the employee's contributions of \$ 17,570, which is 4.95 % of the covered payroll per group of contributor.

**Note 10 - Capital Assets**

|   | Balance<br>January 1,<br>2016 | Additions         | Dispositions | Balance<br>December 31,<br>2016 |
|---|-------------------------------|-------------------|--------------|---------------------------------|
| Governmental Activities                         |                               |                   |              |                                 |
| Capital assets not<br>being depreciated         |                               |                   |              |                                 |
| Land  | \$ 215,747                    | \$ -              | \$ -         | \$ 215,747                      |
|   | <u>215,747</u>                | <u>-</u>          | <u>-</u>     | <u>215,747</u>                  |
| Capital assets being<br>depreciated             |                               |                   |              |                                 |
| Buildings                                       | 592,526                       | -                 | -            | 592,526                         |
| Improvements other<br>than building             | 139,150                       | -                 | -            | 139,150                         |
| Infrastructure                                  | 946,933                       | 38,239            | -            | 985,172                         |
| Equipment and vehicles                          | 618,728                       | 25,633            | -            | 644,361                         |
|   | <u>2,297,337</u>              | <u>63,872</u>     | <u>-</u>     | <u>2,361,209</u>                |
| Less accumulated<br>depreciation                |                               |                   |              |                                 |
| Buildings                                       | (339,761)                     | (11,971)          | -            | (351,732)                       |
| Improvements                                    | (113,564)                     | (4,713)           | -            | (118,277)                       |
| Infrastructure                                  | (178,410)                     | (29,181)          | -            | (207,591)                       |
| Equipment and vehicles                          | (541,162)                     | (25,124)          | -            | (566,286)                       |
|   | <u>(1,172,897)</u>            | <u>(70,989)</u>   | <u>-</u>     | <u>(1,243,886)</u>              |
| Capital asset being depreciated, net            | <u>1,124,440</u>              | <u>(7,117)</u>    | <u>-</u>     | <u>1,117,323</u>                |
| Total Governmental<br>Activities Capital Assets | <u>\$ 1,340,187</u>           | <u>\$ (7,117)</u> | <u>\$ -</u>  | <u>\$ 1,333,070</u>             |

**Town of Hotchkiss**  
**Notes to the Financial Statements**  
**December 31, 2016**

**Note 10 - Capital Assets (continued)**

|  | Balance<br>January 1,<br>2016 | Additions         | Dispositions | Balance<br>December 31,<br>2016 |
|--|-------------------------------|-------------------|--------------|---------------------------------|
| <b>Business - Type Activities</b>                |                               |                   |              |                                 |
| Capital assets not being depreciated             |                               |                   |              |                                 |
| Land and source of supply                        | \$ 370,647                    | \$ -              | \$ -         | \$ 370,647                      |
| Construction in progress                         | 403,006                       | 856,860           | -            | 1,259,866                       |
| Total  | <u>\$ 773,653</u>             | <u>\$ 856,860</u> | <u>\$ -</u>  | <u>\$ 1,630,513</u>             |
| Capital assets being depreciated                 |                               |                   |              |                                 |
| Utility systems                                  | 8,120,866                     | -                 | -            | 8,120,866                       |
| Equipment and furniture                          | 52,880                        | -                 | -            | 52,880                          |
| Less accumulated depreciation                    | <u>(3,787,315)</u>            | <u>(201,922)</u>  | <u>-</u>     | <u>(3,989,237)</u>              |
| Total  | <u>4,386,431</u>              | <u>(201,922)</u>  | <u>-</u>     | <u>4,184,509</u>                |
| Total Business-Type<br>Activities Capital Assets | <u>\$ 5,160,084</u>           | <u>\$ 654,938</u> | <u>\$ -</u>  | <u>\$ 5,815,022</u>             |

Depreciation was charged to governmental activity functions/programs as follows:

|                        |                  |
|------------------------|------------------|
| General government     | \$ 14,439        |
| Public safety          | 12,936           |
| Public works           | 38,901           |
| Culture and recreation | <u>4,713</u>     |
| Total                  | <u>\$ 70,989</u> |

Depreciation charged to the Enterprise Funds are as follows:

|                 |            |
|-----------------|------------|
| Water Fund      | \$ 146,290 |
| Sanitation Fund | \$ 55,632  |

**Note 11- Commitment**

Rogers Mesa Domestic Water Company has agreed to pay a portion of the construction costs of the new water system with an annual payment of \$19,179.75 per year for 20 years or a total amount of \$383,595. As of December 31, 2016 the amount owed is \$230,157.

**Town of Hotchkiss**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2016**

|  | <b>Budgeted</b>     |                     | <b>Actual</b>       | <b>Favorable</b>     |
|--|---------------------|---------------------|---------------------|----------------------|
|  | <b>Original</b>     | <b>Final</b>        |                     | <b>(Unfavorable)</b> |
| <b>Revenues</b>  |                     |                     |                     |                      |
| Taxes  | \$ 374,463          | \$ 374,463          | \$ 412,403          | \$ 37,940            |
| Licenses and permits   | 3,800               | 3,800               | 1,145               | (2,655)              |
| Intergovernmental revenues   | 75,700              | 75,700              | 64,300              | (11,400)             |
| Fines and forfeitures  | 15,000              | 15,000              | 7,532               | (7,468)              |
| Miscellaneous revenue  | 12,893              | 12,893              | 39,214              | 26,321               |
| <b>Total revenues</b>  | <u>481,856</u>      | <u>481,856</u>      | <u>524,594</u>      | <u>42,738</u>        |
| <b>Expenditures</b>  |                     |                     |                     |                      |
| General government   | 227,881             | 227,881             | 240,973             | (13,092)             |
| Police department  | 276,056             | 276,056             | 257,199             | 18,857               |
| Public works   | 364,710             | 364,710             | 310,989             | 53,721               |
| <b>Total Expenditures</b>  | <u>868,647</u>      | <u>868,647</u>      | <u>809,161</u>      | <u>59,486</u>        |
| <b>Excess of revenues over<br/>(under) expenditures</b>                                  | (386,791)           | (386,791)           | (284,567)           | 102,224              |
| <b>Other financing sources</b>   |                     |                     |                     |                      |
| Transfers in (out)   | <u>284,075</u>      | <u>284,075</u>      | <u>285,216</u>      | <u>1,141</u>         |
| <b>Excess of revenues and sources<br/>over (under) expenditures and<br/>other (uses)</b> | (102,716)           | (102,716)           | 649                 | 103,365              |
| <b>Fund balance, January 1</b>   | 1,289,796           | 1,289,796           | 1,503,191           | 213,395              |
| <b>Fund balance, December 31</b>   | <u>\$ 1,187,080</u> | <u>\$ 1,187,080</u> | <u>\$ 1,503,840</u> | <u>\$ 316,760</u>    |

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss**  
**Sales Tax Capital Improvement Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended December 31, 2016**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|-------------------------|-------------------|------------------------------------|
| <b>Revenues</b>  |                            |                         |                   |                                    |
| Sales tax  | \$ 220,000                 | \$ 220,000              | \$ 244,498        | \$ 24,498                          |
| Property taxes   | 22,407                     | 22,407                  | 22,100            | (307)                              |
| Miscellaneous  | 2,500                      | 2,500                   | -                 | (2,500)                            |
| Interest income  | 600                        | 600                     | 796               | 196                                |
| <b>Total revenues</b>  | <u>245,507</u>             | <u>245,507</u>          | <u>267,394</u>    | <u>21,887</u>                      |
| <b>Expenditures</b>  |                            |                         |                   |                                    |
| Capital outlay   | <u>330,752</u>             | <u>330,752</u>          | <u>85,654</u>     | <u>245,098</u>                     |
| <b>Total expenditures</b>  | <u>330,752</u>             | <u>330,752</u>          | <u>85,654</u>     | <u>245,098</u>                     |
| <b>Excess of revenues over<br/>(under) expenditures</b>                                  | (85,245)                   | (85,245)                | 181,740           | 266,985                            |
| <b>Other financing sources</b>   |                            |                         |                   |                                    |
| Transfers (out)  | <u>(67,390)</u>            | <u>(67,390)</u>         | <u>(67,667)</u>   | <u>277</u>                         |
| <b>Excess of revenues and sources<br/>over (under) expenditures and<br/>other (uses)</b> | (152,635)                  | (152,635)               | 114,073           | 267,262                            |
| <b>Fund balance, January 1</b>   | <u>383,580</u>             | <u>383,580</u>          | <u>729,305</u>    | <u>345,725</u>                     |
| <b>Fund balance, December 31</b>   | <u>\$ 230,945</u>          | <u>\$ 230,945</u>       | <u>\$ 843,378</u> | <u>\$ 612,710</u>                  |

The accompanying notes are an integral part of this statement.

**Town of Hotchkiss  
Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

---

|   | <b>Conservation<br/>Trust<br/>Trust Fund</b> |
|---|--|
| <b>Assets</b>                             |  |
| Cash and cash equivalents                 | \$ 9,026                                     |
| Accounts receivable                       | -  |
| <b>Total assets</b>                       | <u>\$ 9,026</u>                              |
| <br>                                      |  |
| <b>Liabilities and Fund Balance</b>       |  |
| Liabilities                               |  |
| Accounts payable                          | <u>\$ 152</u>                                |
| <b>Total liabilities</b>                  | <u>152</u>                                   |
| <br>                                      |  |
| <b>Fund balance</b>                       |  |
| Unreserved:                               | <u>8,874</u>                                 |
| <b>Total fund balance</b>                 | <u>8,874</u>                                 |
| <b>Total liabilities and fund balance</b> | <u>\$ 9,026</u>                              |

**Town of Hotchkiss**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**December 31, 2016**

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|  | <u>Conservation<br/>Trust<br/>Fund</u> |
|--|--|
| <b>Revenues</b>  |  |
| Intergovernmental  | \$ 5,034                               |
| <b>Total revenues</b>  | <u>5,034</u>                           |
| <b>Expenditures</b>  |  |
| Current:   |  |
| Culture and recreation   | <u>6,569</u>                           |
| <b>Total expenditures</b>  | <u>6,569</u>                           |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b>                             | (1,535)                                |
| <b>Other financing sources</b>   |  |
| Transfers in   | <u>6,485</u>                           |
| <b>Excess of revenues and sources<br/>over (under) expenditures and<br/>other (uses)</b> | 4,950                                  |
| <b>Fund balance, January 1</b>   | <u>3,924</u>                           |
| <b>Fund balance, December 31</b>   | <u><u>\$ 8,874</u></u>                 |

**Town of Hotchkiss  
Conservation Trust Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended December 31, 2016**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>          | <u>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|-------------------------|------------------------|------------------------------------|
| <b>Revenues</b>  |                            |                         |                        |                                    |
| Lottery  | \$ 4,500                   | \$ 4,500                | \$ 5,034               | \$ 534                             |
| <b>Total revenues</b>  | <u>4,500</u>               | <u>4,500</u>            | <u>5,034</u>           | <u>534</u>                         |
| <b>Expenditures</b>  |                            |                         |                        |                                    |
| Parks  | 10,985                     | 10,985                  | 6,569                  | 4,416                              |
| <b>Total expenditures</b>  | <u>10,985</u>              | <u>10,985</u>           | <u>6,569</u>           | <u>4,416</u>                       |
| <b>Excess of revenues over<br/>(under) expenditures</b>                                  | (6,485)                    | (6,485)                 | (1,535)                | 4,950                              |
| <b>Other financing sources</b>   |                            |                         |                        |                                    |
| Transfers in   | <u>6,485</u>               | <u>6,485</u>            | <u>6,485</u>           | <u>-</u>                           |
| <b>Excess of revenues and sources<br/>over (under) expenditures and<br/>other (uses)</b> | -                          | -                       | 4,950                  | 4,950                              |
| <b>Fund balance, January 1</b>   | <u>-</u>                   | <u>-</u>                | <u>3,924</u>           | <u>3,924</u>                       |
| <b>Fund balance, December 31</b>   | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>      | <u><u>\$ 8,874</u></u> | <u><u>\$ 8,874</u></u>             |

**Town of Hotchkiss  
Water Fund  
Schedule of Revenues, Expenditures and Changes in Available  
Resources-Budget and Actual  
(Non-GAAP Budgetary Basis)  
Year Ended December 31, 2016**

| <b>Available resources</b>       | <b>Original<br/>Budget</b> | <b>Final Budget</b> | <b>Actual</b>       | <b>Favorable<br/>(Unfavorable)</b> |
|----------------------------------|----------------------------|---------------------|---------------------|------------------------------------|
| <b>January 1</b>                 | <u>\$ 1,181,458</u>        | <u>\$ 1,181,458</u> | <u>\$ 1,691,289</u> | <u>\$ 509,831</u>                  |
| <b>Revenues</b>                  |                            |                     |                     |                                    |
| Water fees                       | 357,000                    | 357,000             | 379,374             | 22,374                             |
| Tap fees                         | -                          | -                   | 6,100               | 6,100                              |
| Interest income                  | 1,200                      | 1,200               | 8,081               | 6,881                              |
| Miscellaneous                    | 16,700                     | 16,700              | 12,771              | (3,929)                            |
| Grants and loans                 | 57,379                     | 57,379              | 5,000               | (52,379)                           |
| <b>Total revenues</b>            | <u>432,279</u>             | <u>432,279</u>      | <u>411,326</u>      | <u>(20,953)</u>                    |
| <b>Total available resources</b> | <u>1,613,737</u>           | <u>1,613,737</u>    | <u>2,102,615</u>    | <u>488,878</u>                     |
| <b>Expenditures</b>              |                            |                     |                     |                                    |
| Purchased services               | 23,000                     | 23,000              | 18,972              | 4,028                              |
| Utilities                        | 23,700                     | 23,700              | 19,342              | 4,358                              |
| Repairs and maintenance          | 39,500                     | 39,500              | 22,704              | 16,796                             |
| Chemicals                        | 55,300                     | 55,300              | 42,736              | 12,564                             |
| Other supplies and expenses      | 41,765                     | 41,765              | 19,093              | 22,672                             |
| Insurance claims and expenses    | 6,400                      | 6,400               | 6,802               | (402)                              |
| Transfers-General fund           | 143,780                    | 143,780             | 144,351             | (571)                              |
| Debt service                     | 34,275                     | 34,275              | 34,275              | -                                  |
| Capital outlay                   | 1,000                      | 1,000               | 5,045               | (4,045)                            |
| <b>Total expenditures</b>        | <u>368,720</u>             | <u>368,720</u>      | <u>313,320</u>      | <u>55,400</u>                      |
| <b>Available resources</b>       |                            |                     |                     |                                    |
| <b>December 31</b>               | <u>\$ 1,245,017</u>        | <u>\$ 1,245,017</u> | <u>\$ 1,789,295</u> | <u>\$ 544,278</u>                  |

**Town of Hotchkiss  
Sanitation Fund  
Schedule of Revenues, Expenditures and Changes in Available  
Resources-Budget and Actual  
(Non-GAAP Budgetary Basis)  
Year Ended December 31, 2016**

|                                  | <b>Original<br/>Budget</b> | <b>Final Budget</b> | <b>Actual</b>     | <b>Favorable<br/>(Unfavorable)</b> |
|----------------------------------|----------------------------|---------------------|-------------------|------------------------------------|
| <b>Available resources</b>       |                            |                     |                   |                                    |
| <b>January 1</b>                 | \$ 271,566                 | \$ 271,566          | \$ 311,752        | \$ 40,186                          |
| <b>Revenues</b>                  |                            |                     |                   |                                    |
| Sewer fees                       | 240,000                    | 240,000             | 240,815           | 815                                |
| Tap fees                         | -                          | -                   | 4,700             | 4,700                              |
| Interest income                  | 800                        | 800                 | 3,578             | 2,778                              |
| Grants, Loans                    | 2,090,563                  | 2,090,563           | 843,904           | (1,246,659)                        |
| Miscellaneous                    | 3,500                      | 3,500               | 3,500             | -                                  |
| <b>Total revenues</b>            | <u>2,334,863</u>           | <u>2,334,863</u>    | <u>1,096,497</u>  | <u>(1,238,366)</u>                 |
| <b>Total available resources</b> | <u>2,606,429</u>           | <u>2,606,429</u>    | <u>1,408,249</u>  | <u>(1,198,180)</u>                 |
| <b>Expenditures</b>              |                            |                     |                   |                                    |
| Purchased services               | 6,700                      | 6,700               | 4,195             | 2,505                              |
| Utilities                        | 34,700                     | 34,700              | 37,192            | (2,492)                            |
| Repairs and maintenance          | 31,500                     | 31,500              | 346               | 31,154                             |
| Chemicals                        | 1,200                      | 1,200               | 738               | 462                                |
| Other supplies and expenses      | 19,355                     | 19,355              | 14,402            | 4,953                              |
| Insurance claims and expenses    | 6,300                      | 6,300               | 6,802             | (502)                              |
| Transfers-General fund           | 76,390                     | 76,390              | 76,684            | (294)                              |
| Debt service                     | 50,311                     | 50,311              | 50,311            | -                                  |
| Capital outlay                   | 1,859,805                  | 1,859,805           | 856,860           | 1,002,945                          |
| <b>Total expenditures</b>        | <u>2,086,261</u>           | <u>2,086,261</u>    | <u>1,047,530</u>  | <u>1,038,731</u>                   |
| <b>Interfund loan payment</b>    | -                          | -                   | 38,199            | 38,199                             |
| <b>Available resources</b>       |                            |                     |                   |                                    |
| <b>December 31</b>               | <u>\$ 520,168</u>          | <u>\$ 520,168</u>   | <u>\$ 398,918</u> | <u>\$ (121,250)</u>                |

**Town of Hotchkiss  
Garbage Fund  
Schedule of Revenues, Expenditures and Changes in Available  
Resources-Budget and Actual  
(Non-GAAP Budgetary Basis)  
Year Ended December 31, 2016**

|                                  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Favorable<br/>(Unfavorable)</u> |
|----------------------------------|----------------------------|-------------------------|------------------|------------------------------------|
| <b>Available resources</b>       |                            |                         |                  |                                    |
| <b>January 1</b>                 | \$ 9,475                   | \$ 9,475                | \$ 17,834        | \$ 8,359                           |
| <b>Revenues</b>                  |                            |                         |                  |                                    |
| Garbage fees                     | 117,000                    | 117,000                 | 113,925          | (3,075)                            |
| Interest income                  | 5                          | 5                       | 5                | -                                  |
| <b>Total revenues</b>            | <u>117,005</u>             | <u>117,005</u>          | <u>113,930</u>   | <u>(3,075)</u>                     |
| <b>Total available resources</b> | <u>126,480</u>             | <u>126,480</u>          | <u>131,764</u>   | <u>5,284</u>                       |
| <b>Expenditures</b>              |                            |                         |                  |                                    |
| Contract services                | 111,000                    | 111,000                 | 110,686          | 314                                |
| Transfers-General fund           | 3,000                      | 3,000                   | 3,000            | -                                  |
| <b>Total expenditures</b>        | <u>114,000</u>             | <u>114,000</u>          | <u>113,686</u>   | <u>314</u>                         |
| <b>Available resources</b>       |                            |                         |                  |                                    |
| <b>December 31</b>               | <u>\$ 12,480</u>           | <u>\$ 12,480</u>        | <u>\$ 18,078</u> | <u>\$ 5,598</u>                    |

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

|                                     |                              |
|-------------------------------------|------------------------------|
| <b>LOCAL HIGHWAY FINANCE REPORT</b> | STATE:<br>Colorado           |
|                                     | YEAR ENDING (mm/yy):<br>2016 |

|   |                                |
|---|--------------------------------|
| This Information From The Records Of:<br><i>This Information From The Records Of:</i> Town of Hotchkiss | Prepared By:<br>Marlene Searle |
|---|--------------------------------|

**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                  | 0                         | 0                            | 31,960                                    | 0   |
| 2. Minus amount used for collection expenses | 0                         | 0                            |   |   |
| 3. Minus amount used for nonhighway purposes | 0                         | 0                            |   |   |
| 4. Minus amount used for mass transit        | 0                         | 0                            |   |   |
| 5. Remainder used for highway purposes       |                           |                              | 31,960                                    |   |

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. EXPENDITURES FOR ROAD AND STREET PURPOSES**

| ITEM  | AMOUNT  | ITEM   | AMOUNT  |
|---|---------|--|---------|
| <b>A. Receipts from local sources:</b>                      |         | <b>A. Local highway expenditures:</b>            |         |
| 1. Local highway-user taxes                                 |         | 1. Capital outlay (from page 2)                  |         |
| a. Motor Fuel (from Item I.A.5.)                            |         | 2. Maintenance:                                  | 38,239  |
| b. Motor Vehicle (from Item I.B.5.)                         |         | 3. Road and street services:                     |         |
| c. Total (a.+b.)  |         | a. Traffic control operations                    | 1,499   |
| 2. General fund appropriations                              |         | b. Snow and ice removal                          | 3,702   |
| 3. Other local imposts (from page 2)                        | 102,077 | c. Other   | 17,628  |
| 4. Miscellaneous local receipts (from page 2)               | 9,841   | d. Total (a. through c.)                         | 22,829  |
| 5. Transfers from toll facilities                           |         | 4. General administration & miscellaneous        | 6,200   |
| 6. Proceeds of sale of bonds and notes:                     |         | 5. Highway law enforcement and safety            | 85,714  |
| a. Bonds - Original Issues                                  |         | 6. Total (1 through 5)                           | 152,982 |
| b. Bonds - Refunding Issues                                 |         | <b>B. Debt service on local obligations:</b>     |         |
| c. Notes  |         | 1. Bonds:  |         |
| d. Total (a. + b. + c.)                                     |         | a. Interest                                      | 0       |
| 7. Total (1 through 6)                                      | 111,918 | b. Redemption                                    | 0       |
| <b>B. Private Contributions</b>                             |         | c. Total (a. + b.)                               |         |
| <b>C. Receipts from State government</b><br>(from page 2)   | 41,064  | 2. Notes:  |         |
| <b>D. Receipts from Federal Government</b><br>(from page 2) |         | a. Interest                                      | 0       |
| <b>E. Total receipts (A.7 + B + C + D)</b>                  | 152,982 | b. Redemption                                    | 0       |
|   |         | c. Total (a. + b.)                               |         |
|   |         | 3. Total (1.c + 2.c)                             |         |
|   |         | <b>C. Payments to State for highways</b>         | 0       |
|   |         | <b>D. Payments to toll facilities</b>            | 0       |
|   |         | <b>E. Total expenditures (A.6 + B.3 + C + D)</b> | 152,982 |

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

|                              | Opening Debt | Amount Issued | Redemptions | Closing Debt |
|------------------------------|--------------|---------------|-------------|--------------|
| <b>A. Bonds (Total)</b>      | 0            | 0             | 0           |              |
| 1. Bonds (Refunding Portion) |              | 0             | 0           |              |
| <b>B. Notes (Total)</b>      | 0            | 0             | 0           |              |

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

| ITEM                             | AMOUNT  | ITEM                                      | AMOUNT |
|----------------------------------|---------|---|--------|
| <b>A.3. Other local imposts:</b> |         | <b>A.4. Miscellaneous local receipts:</b> |        |
| a. Property Taxes and Assesments |         | a. Interest on investments                |        |
| b. Other local imposts:          |         | b. Traffic Fines and Penalties            | 7,332  |
| 1. Sales Taxes                   | 92,104  | c. (Specify)                              |        |
| 2. (Specify)                     | 0       | d. (Specify)                              |        |
| 3. (Specify)                     | 0       | e. (Specify)                              |        |
| 4. (Specify)                     | 0       | f. (Specify)                              |        |
| 5. S/O Tax                       | 9,973   | g. Other Misc Receipts                    | 2,509  |
| 6. Total (1. through 5.)         | 102,077 | h. (Specify)                              |        |
| c. Total (a. + b.)               | 102,077 | i. Total (a. through h.)                  | 9,841  |
| <i>(Carry forward to page 1)</i> |         | <i>(Carry forward to page 1)</i>          |        |

| ITEM                                     | AMOUNT | ITEM                                       | AMOUNT |
|--|--------|--|--------|
| <b>C. Receipts from State Government</b> |        | <b>D. Receipts from Federal Government</b> |        |
| 1. Highway-user taxes (from Item I.C.5.) | 31,960 | 1. FHWA (from Item I.D.5.)                 |        |
| 2. State general funds                   | 0      | 2. Other Federal agencies:                 |        |
| 3. Other State funds:                    |        | a. Forest Service                          |        |
| a. State bond proceeds                   |        | b. FEMA                                    |        |
| b. (Specify)                             |        | c. HUD                                     |        |
| c. MV Tax                                | 4,567  | d. (Specify)                               |        |
| d. (Specify)                             |        | e. (Specify)                               |        |
| e. R&B Tax                               | 4,537  | f. (Specify)                               |        |
| f. Total (a. through e.)                 | 9,104  | g. Total (a. through f.)                   |        |
| 4. Total (1. + 2. + 3.f)                 | 41,064 | 3. Total (1. + 2.g)                        |        |
| <i>(Carry forward to page 1)</i>         |        | <i>(Carry forward to page 1)</i>           |        |

**III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL**

|   | ON NATIONAL<br>HIGHWAY<br>SYSTEM<br>(a) | OFF NATIONAL<br>HIGHWAY<br>SYSTEM<br>(b) | TOTAL<br>(c) |
|---|---|--|--------------|
| <b>A.1. Capital outlay:</b>                         |   |  |              |
| a. Right-Of-Way Costs                               | 0                                       | 0  |              |
| b. Engineering Costs                                | 0                                       | 0  |              |
| c. Construction:                                    |   |  |              |
| (1). New Facilities                                 | 0                                       |  |              |
| (2). Capacity Improvements                          | 0                                       |  |              |
| (3). System Preservation                            | 0                                       |  |              |
| (4). System Enhancement And Operation               | 0                                       |  |              |
| (5). Total Construction (1)+(2)+(3)+(4)             |   |  |              |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4) |   |  |              |
| <i>(Carry forward to page 1)</i>                    |   |  |              |

Notes and Comments:

Single Audit Section

**Town of Hotchkiss, Colorado**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

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| <b>Federal Grantor/Pass through Grantor/Program Title</b>   | <b>FEDERAL<br/>CFDA<br/>NUMBER</b> | <b>2016<br/>AMOUNT<br/>OF AWARD<br/>EXPENDED</b> |
|---|------------------------------------|--|
| <br><b>DEPARTMENT OF THE INTERIOR</b>   |                                    |  |
| Passed Through Colorado Department of Local Affairs<br>Distribution of Receipts to State and Local Governments                        | 15.227                             | \$ 683,159                                       |
| <br><b>ENVIROMENTAL PROTECTION AGENCY</b>   |                                    |  |
| Passed Through Colorado Water Resources & Power Development<br>Authority  |                                    |  |
| Capitalization Grants for Clean Water State Revolving Funds   | 66.458                             | 419,392  |
| Passed Through Colorado Department of Public Health and Environment<br>Capitalization Grants for Drinking Water State Revolving Funds | 66.468                             | <u>5,000</u>                                     |
| <br><b>Total Expenditures of Federal Awards</b>   |                                    | <br><u>\$ 1,107,551</u>                          |

**Town of Hotchkiss, Colorado**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year ended December 31, 2016**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Hotchkiss, Colorado, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**NOTE B - REPORTING ENTITY**

The financial reporting entity consists of Town of Hotchkiss, Colorado (the Town) as the primary government; organizations for which the Town is financially accountable; and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete.

**NOTE C - PASS-THROUGH AWARDS**

The Town receives certain federal awards from pass-through awards from the State of Colorado. The amounts received are commingled by the State of Colorado with other funds. Only the federal amount of such pass-through awards is included in the Schedule of Expenditures of Federal Awards.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council  
Town of Hotchkiss, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Hotchkiss, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Town of Hotchkiss, Colorado's basic financial statements, and have issued our report thereon dated September 5, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

To the Town Council  
Town of Hotchkiss, Colorado  
Page Two

**Purpose of this Report**

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

**Blain & Associates P.C.**

Cedaredge, Colorado  
September 5, 2017

To the Town Council  
Town of Hotchkiss, Colorado

### **Report on Compliance for Each Major Federal Program**

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

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Blair & Associates P.C.**

Cedaredge, Colorado  
September 5, 2017

**Town of Hotchkiss, Colorado**  
**Schedule of Findings and Questioned Costs**  
**Year ended December 31, 2016**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

|  |               |
|--|---------------|
| Type of auditor's report issued:   | Unmodified    |
| Internal control over financial reporting:                                   |               |
| Material weaknesses identified   | No            |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Noncompliance material to financial statements noted                         | No            |

**Federal Awards**

|  |               |
|--|---------------|
| Internal Control over major programs:  |               |
| Material weaknesses identified   | No            |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |

|  |            |
|--|------------|
| Type of auditor's report issued on compliance for major programs   | Unmodified |
| Any audit findings disclosed that are required to be reported<br>in accordance with Uniform Guidance 2 CFR 200.516 | No         |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>                  |
|--------------------|--|
| 15.227             | Distribution of Receipts to State and Local Governments    |
| 66.458             | Capitalization Grant for Clean Water State Revolving Funds |

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee?                                   | No        |

**Town of Hotchkiss, Colorado**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -CONTINUED**  
**Year ended December 31, 2016**

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SECTION II - Financial Statement Findings

None noted in the current year audit

SECTION III - Federal Award Findings and Questioned Costs

None noted in the current year audit

**Town of Hotchkiss, Colorado**  
**Summary Schedule of Prior Year Auditing Findings**  
**Year ended December 31, 2016**

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SECTION II - Financial Statement Findings

None

SECTION III - Federal Award Findings and Questioned Costs

None