

TOWN OF IGNACIO, COLORADO



**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**



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TOWN OF IGNACIO, COLORADO

Table of Contents

Financial Section:	<u>Page</u>
Independent Auditors' 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:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position - Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	19
Statement of Cash Flows - Proprietary Funds.....	20
Notes to Financial Statements	21
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	44
Schedule of Pension Contributions	45
Notes to Pension Plan Schedules.....	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund - Budget-and-Actual	48
Combining Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	52
Combining Statement of Revenues Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	53
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Economic Development Fund - Budget-and-Actual.....	56
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Conservation Trust Fund - Budget-and-Actual	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Capital Improvement Fund - Budget-and-Actual	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Impacts Fees Fund - Budget-and-Actual	59

Table of Contents, continued

Schedule of Revenues, Expenses, and Changes in
Available Resources – Enterprise Funds - Budget-and-Actual:

Water Fund	60
Gas Fund	61
Sewer Fund	62
Irrigation Fund	63
Local Highway Finance Report.....	66

Compliance Section:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters	69
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Independent Auditors' Report

The Honorable Mayor and Board
Town of Ignacio, 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 Ignacio, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Ignacio, 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, budgetary comparison information, and the pension related schedules and notes as listed in the table of contents 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 Ignacio, Colorado's basic financial statements. The combining statements, budgetary comparison schedules, and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, budgetary comparison schedules, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, budgetary comparison schedules, and Local Highway Finance Report 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 June 30, 2017, on our consideration of the Town of Ignacio, 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 Ignacio, Colorado's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
June 30, 2017

**TOWN OF IGNACIO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016**

As management of the Town of Ignacio (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2016. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows exceeded total liabilities plus deferred inflows (net position) by \$5.4 million at the close of the fiscal year. This was an increase of \$403,167 over the previous year.
- Total governmental and business-type net position increased by a combined total of \$403,167. This is compared to last year's change in net position of \$319,841.
- The total cost of all Town programs for 2016 was \$2,416,103.
- The general fund unassigned fund balance at the end of 2016 was 403,086 which is 30.2% of total General fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, parks and recreation, affordable housing and interest on long-term debt. Sales taxes, property taxes, franchise taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$5.4 million as of December 31, 2016 as shown in the following condensed statement of net position. Of this amount, \$1,360,504 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the net investment in capital assets of \$3,926,843 (72.3% of total 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 Town has chosen to account for its water, gas, sewer, and irrigation operations in enterprise funds which are shown as Business Activities.

The following table summarizes the Town's governmental and business-type net position as of December 31, 2016 and 2015:

TOWN OF IGNACIO, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current and other assets	\$ 742,501	\$ 787,621	\$ 875,684	\$ 717,312	\$ 1,618,185	\$ 1,504,933
Capital assets	1,246,574	1,189,737	3,398,039	3,429,550	4,644,613	4,619,287
Total assets	1,989,075	1,977,358	4,273,723	4,146,862	6,262,798	6,124,220
Deferred Outflows of Resources	139,014	35,454	-	-	139,014	35,454
Long-term liabilities outstanding	79,846	206,544	711,962	749,823	791,808	956,367
Other liabilities	45,098	69,558	100,785	71,138	145,883	140,696
Total liabilities	124,944	276,102	812,747	820,961	937,691	1,097,063
Deferred Inflows of Resources	31,804	33,461	-	-	31,804	33,461
Net position:						
Net investment in capital assets	1,230,853	1,049,611	2,695,990	2,690,196	3,926,843	3,739,807
Restricted	144,970	245,800	-	-	144,970	245,800
Unrestricted	595,518	407,838	764,986	635,705	1,360,504	1,043,543
Total net position	\$ 1,971,341	\$ 1,703,249	\$ 3,460,976	\$ 3,325,901	\$ 5,432,317	\$ 5,029,150

An additional portion of net position, \$144,970, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,360,504 (25.0% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$1,272,035 as shown in the Changes in Net Position statement below. \$151,186 of this cost was paid for by those who directly benefited from the programs. \$214,697 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. General taxes, investment earnings and other revenues totaled \$1,174,244.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Parks & Recreation and Affordable Housing. Each program's revenues and expenses are presented below.

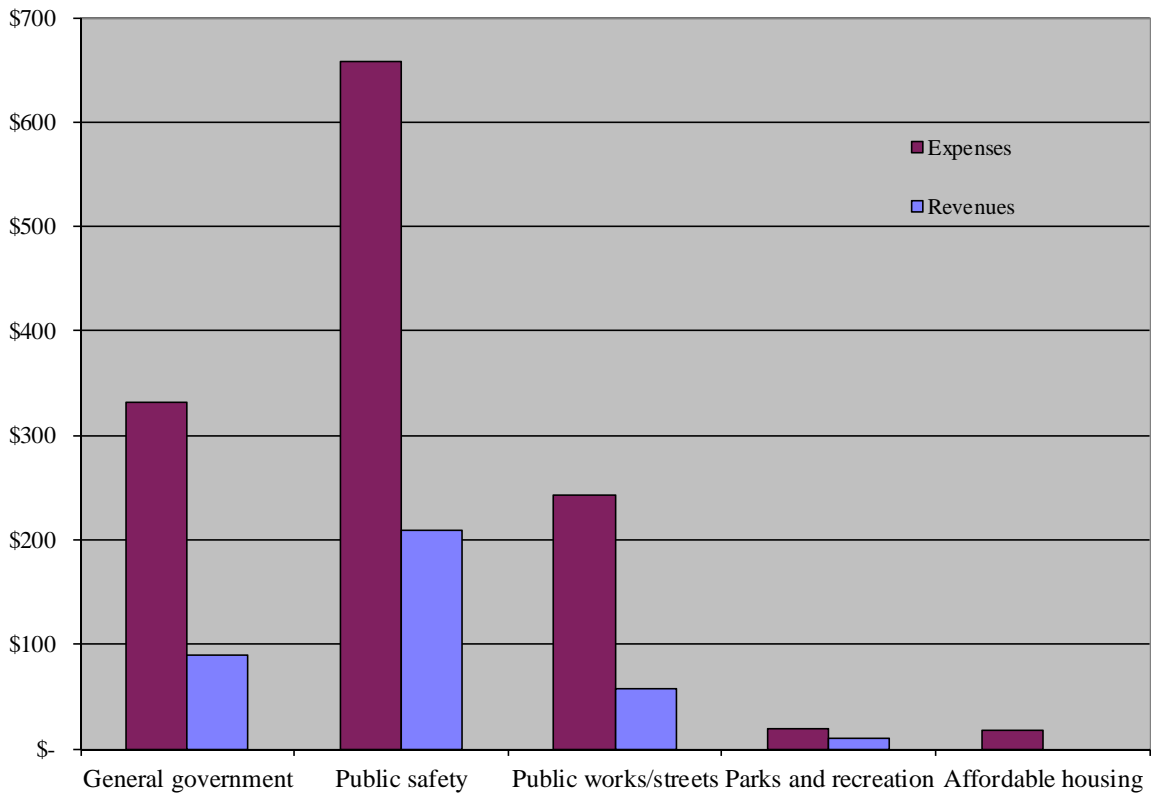
TOWN OF IGNACIO, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Revenues:						
Program revenues:						
Charges for services	\$ 151,186	\$ 80,829	\$ 1,218,345	\$ 1,166,279	\$ 1,369,531	\$ 1,247,108
Operating grants and contributions	210,514	292,321	-	-	210,514	292,321
Capital grants and contributions	4,183	44,448	60,790	142,230	64,973	186,678
General revenues:						
Taxes	1,174,227	1,119,355	-	-	1,174,227	1,119,355
Investment earnings	17	112	8	7	25	119
Total revenues	<u>1,540,127</u>	<u>1,537,065</u>	<u>1,279,143</u>	<u>1,308,516</u>	<u>2,819,270</u>	<u>2,845,581</u>
Expenses:						
General government	331,516	461,499	-	-	331,516	461,499
Public safety	658,110	739,314	-	-	658,110	739,314
Public works/streets	242,750	274,498	-	-	242,750	274,498
Parks and recreation	19,339	33,584	-	-	19,339	33,584
Affordable housing	17,732	17,684	-	-	17,732	17,684
Interest on long-term debt	2,588	7,759	-	-	2,588	7,759
Water	-	-	281,798	230,418	281,798	230,418
Gas	-	-	311,277	389,187	311,277	389,187
Sewer	-	-	526,141	451,749	526,141	451,749
Irrigation	-	-	24,852	23,108	24,852	23,108
Total expenses	<u>1,272,035</u>	<u>1,534,338</u>	<u>1,144,068</u>	<u>1,094,462</u>	<u>2,416,103</u>	<u>2,628,800</u>
Increase (decrease) in net position before transfers	268,092	2,727	135,075	214,054	403,167	216,781
Transfers	-	-	-	-	-	-
Net position, beginning	1,703,249	1,597,462	3,325,901	3,111,847	5,029,150	4,709,309
Restatement adjustment	-	103,060	-	-	-	103,060
Net position, ending	<u>\$ 1,971,341</u>	<u>\$ 1,703,249</u>	<u>\$ 3,460,976</u>	<u>\$ 3,325,901</u>	<u>\$ 5,432,317</u>	<u>\$ 5,029,150</u>

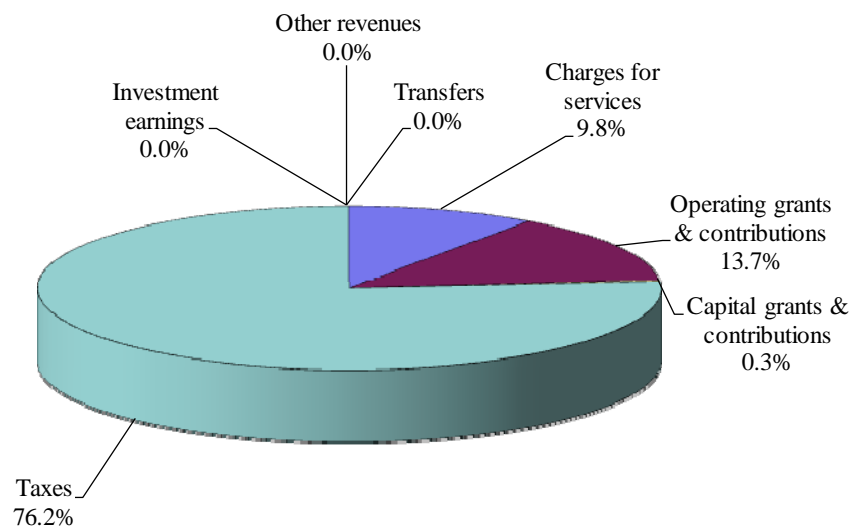
Total resources available during the year to finance governmental operations were \$3,243,376 consisting of Net position at January 1, 2016 of \$1,703,249, program revenues of \$365,883, and General Revenues of \$1,174,244. Total Governmental Activities expenses during the year were \$1,272,035 and transfers out were \$0; thus Governmental Net Position increased by \$268,092 to \$1,971,341.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



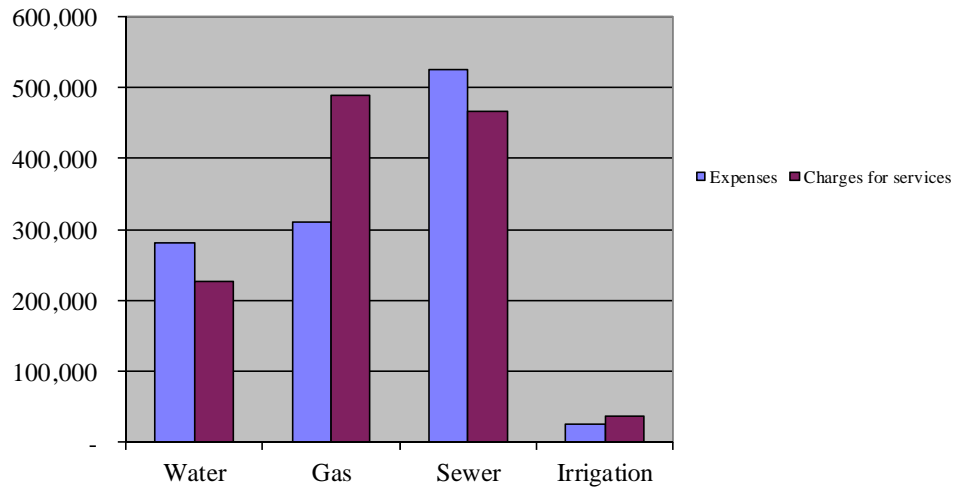
Revenue By Source - Governmental Activities



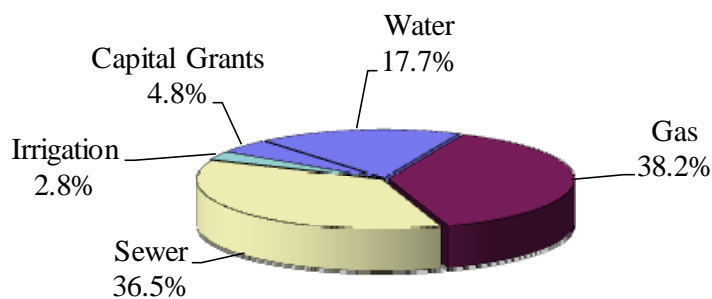
Business Type Activities

Net position of the Business Type activities at December 31, 2016, as reflected in the Statement of Net Position was \$3.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,144,068 as shown in the statement of Changes in Net Position. The amounts paid by users of the system were \$1,218,345 and there was \$60,790 subsidized by capital grants and contributions. Investment earnings were \$8. The Net Position increased by \$135,075. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.

Expenses and Charges for Services - Business-type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$665,912, an increase of \$76,618 in comparison with the prior year. Approximately 61% or \$403,086 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The Town has one major governmental fund, the General Fund.

The General Fund is the primary operating fund for the Town. At December 31, 2016, unassigned fund balance in the General Fund was \$403,086. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 30.2% of the total General Fund expenditures. The fund balance of the Town's General Fund increased by \$193,309 for the year ended December 31, 2016. Total revenues in the General Fund were comparable to the prior year; however, total expenses decreased by \$302,978 from the prior year.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2016 for the Town's four enterprise funds (Water, Gas, Sewer, and Irrigation) are as follows:

	Water	Gas	Sewer	Irrigation	Total
Unrestricted net position	\$ 71,250	\$ 627,812	\$ 28,450	\$ 37,474	\$ 764,986
Total net position	1,240,967	2,024,932	151,961	43,116	3,460,976
Change in net position	(51,739)	233,333	(57,409)	10,890	135,075

Budgetary Highlights

General fund revenues of \$1,527,166 were less than budgeted revenues of \$1,752,455 by \$225,289. Actual expenditures were \$379,668 less than budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, system improvements, park facilities and roads. At the end of 2016, net capital assets of the government activities totaled \$1.25 million and the net capital assets of the business-type activities were \$3.4 million. The most significant governmental capital asset additions were the purchase of land and a police vehicle. The most significant business-type fund capital asset addition was the Gasline Replacement Phase IV project that was started in 2016. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had \$79,846 in governmental type debt, and \$711,962 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$164,558. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for the year 2017, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at: 540 Goddard, PO Box 459, Ignacio, Colorado 81137.

BASIC FINANCIAL STATEMENTS

TOWN OF IGNACIO, COLORADO
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 368,155	\$ 696,954	\$ 1,065,109
Receivables (net of allowance)	326,341	178,730	505,071
Net pension asset	1,500	-	1,500
Temporarily restricted assets:			
Cash and cash equivalents	46,505	-	46,505
Capital assets not being depreciated:			
Land	335,986	16,974	352,960
Construction in progress	-	80,088	80,088
Capital assets (net of accumulated depreciation):			
Utility plant	-	3,088,064	3,088,064
Irrigation system	-	133,022	133,022
Buildings	202,325	-	202,325
Machinery and equipment	25,776	79,891	105,667
Vehicles	166,104	-	166,104
Infrastructure and systems	516,383	-	516,383
Total assets	<u>1,989,075</u>	<u>4,273,723</u>	<u>6,262,798</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources	<u>139,014</u>	<u>-</u>	<u>139,014</u>
Liabilities			
Accounts payable and other current liabilities	45,055	100,785	145,840
Interest payable	43	-	43
Noncurrent liabilities:			
Due within one year	68,736	47,668	116,404
Due in more than one year	11,110	664,294	675,404
Total liabilities	<u>124,944</u>	<u>812,747</u>	<u>937,691</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	30,034	-	30,034
Deferred inflows related to pensions	1,770	-	1,770
Total deferred inflows of resources	<u>31,804</u>	<u>-</u>	<u>31,804</u>
Net Position			
Net investment in capital assets	1,230,853	2,695,990	3,926,843
Restricted for:			
Emergency reserve	43,640	-	43,640
Public safety	2,865	-	2,865
Parks and recreation	54,641	-	54,641
Public works	43,824	-	43,824
Unrestricted	595,518	764,986	1,360,504
Total net position	<u>\$ 1,971,341</u>	<u>\$ 3,460,976</u>	<u>\$ 5,432,317</u>

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

TOWN OF IGNACIO, COLORADO
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 331,516	\$ 90,081	\$ 107	\$ -	\$ (241,328)	\$ -	\$ (241,328)
Public safety	658,110	7,552	201,646	-	(448,912)	-	(448,912)
Public works/streets	242,750	53,553	-	3,500	(185,697)	-	(185,697)
Parks and recreation	19,339	-	8,761	683	(9,895)	-	(9,895)
Affordable housing	17,732	-	-	-	(17,732)	-	(17,732)
Interest on long-term debt	2,588	-	-	-	(2,588)	-	(2,588)
Total governmental activities	<u>1,272,035</u>	<u>151,186</u>	<u>210,514</u>	<u>4,183</u>	<u>(906,152)</u>	<u>-</u>	<u>(906,152)</u>
Business-type activities:							
Water	281,798	226,904	-	3,155	-	(51,739)	(51,739)
Gas	311,277	488,842	-	55,760	-	233,325	233,325
Sewer	526,141	466,857	-	1,875	-	(57,409)	(57,409)
Irrigation	24,852	35,742	-	-	-	10,890	10,890
Total business-type activities	<u>1,144,068</u>	<u>1,218,345</u>	<u>-</u>	<u>60,790</u>	<u>-</u>	<u>135,067</u>	<u>135,067</u>
Total primary government	<u>\$ 2,416,103</u>	<u>\$ 1,369,531</u>	<u>\$ 210,514</u>	<u>\$ 64,973</u>	<u>(906,152)</u>	<u>135,067</u>	<u>(771,085)</u>
General Revenues:							
Taxes:							
Property tax					31,683	-	31,683
Sales tax					1,075,834	-	1,075,834
Other taxes					62,085	-	62,085
Franchise tax					4,625	-	4,625
Unrestricted investment earnings					17	8	25
Total general revenues & transfers					<u>1,174,244</u>	<u>8</u>	<u>1,174,252</u>
Change in net position					268,092	135,075	403,167
Net position - beginning					1,703,249	3,325,901	5,029,150
Net position - ending					<u>\$ 1,971,341</u>	<u>\$ 3,460,976</u>	<u>\$ 5,432,317</u>

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

TOWN OF IGNACIO, COLORADO
Balance Sheet
Governmental Funds
December 31, 2016

Assets	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 155,334	\$ 212,821	\$ 368,155
Accounts receivable	10,115	-	10,115
Property taxes receivable	30,034	-	30,034
Due from other governments	282,692	3,500	286,192
Restricted cash and investments	46,505		46,505
Total assets	<u>\$ 524,680</u>	<u>\$ 216,321</u>	<u>\$ 741,001</u>
 Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,970	-	\$ 15,970
Accrued liabilities	29,085	-	29,085
Total liabilities	<u>45,055</u>	<u>-</u>	<u>45,055</u>
Deferred inflows of resources:			
Deferred revenue - property taxes	30,034	-	30,034
	<u>30,034</u>	<u>-</u>	<u>30,034</u>
Fund balances:			
Restricted for:			
Emergency reserve	43,640	-	43,640
Public safety	2,865	-	2,865
Parks and recreation	-	54,641	54,641
Streets	-	43,824	43,824
Committed for:			
Capital improvements	-	100,730	100,730
Façade loans	-	17,126	17,126
Unassigned	403,086	-	403,086
Total fund balances	<u>449,591</u>	<u>216,321</u>	<u>665,912</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 524,680</u>	<u>\$ 216,321</u>	<u>\$ 741,001</u>

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

TOWN OF IGNACIO, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2016

Total fund balances - governmental funds \$ 665,912

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	2,232,991	
Accumulated depreciation	<u>(986,417)</u>	1,246,574

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital leases payable	(15,721)	
Interest payable	(43)	
Compensated absences	<u>(64,125)</u>	(79,889)

Deferred outflows and inflows of resources related to pensions and net pension assets are applicable to future reporting periods and therefore are not reported in the funds.

Deferred outflows	139,014	
Deferred inflows	(1,770)	
Net pension asset	<u>1,500</u>	138,744

Total net position - governmental activities		<u><u>\$ 1,971,341</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF IGNACIO, COLORADO
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,112,412	\$ -	\$ 1,112,412
Licenses and permits	15,952	-	15,952
Intergovernmental	266,325	12,261	278,586
Impact fees	-	-	-
Fines and forfeitures	1,147	-	1,147
Charges for services	51,672	-	51,672
Interest revenue	-	17	17
Other revenues	79,658	-	79,658
Total revenues	<u>1,527,166</u>	<u>12,278</u>	<u>1,539,444</u>
Expenditures			
Current:			
Legislative	9,713	-	9,713
Administration	242,739	-	242,739
Community development	68,722	-	68,722
Public safety	636,849	-	636,849
Public works	193,891	-	193,891
Parks	15,745	-	15,745
Debt service:			
Principal	124,405	-	124,405
Interest and fees	3,227	-	3,227
Capital outlay	39,689	127,846	167,535
Total expenditures	<u>1,334,980</u>	<u>127,846</u>	<u>1,462,826</u>
Excess of revenues over (under) expenditures	192,186	(115,568)	76,618
Other financing sources (uses):			
Transfers in	1,123	-	1,123
Transfers out	-	(1,123)	(1,123)
Total other financing sources (uses)	<u>1,123</u>	<u>(1,123)</u>	<u>-</u>
Net change in fund balances	193,309	(116,691)	76,618
Fund balance, beginning of year	<u>256,282</u>	<u>333,012</u>	<u>589,294</u>
Fund balance, end of year	<u>\$ 449,591</u>	<u>\$ 216,321</u>	<u>\$ 665,912</u>

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

TOWN OF IGNACIO, COLORADO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2016

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

Net change in fund balances - total governmental funds	\$	76,618
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay		154,570
Depreciation expense		(92,575)
		61,995
<p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		124,405
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		639
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions		(30,379)
Pension expense		37,679
		7,300
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		2,293
Change in net position of governmental activities	\$	268,092

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

TOWN OF IGNACIO, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2016

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Assets					
Current assets:					
Cash	\$ 58,292	\$ 586,876	\$ 15,436	\$ 36,350	\$ 696,954
Accounts receivable	25,325	100,240	51,650	1,515	178,730
Total current assets	<u>83,617</u>	<u>687,116</u>	<u>67,086</u>	<u>37,865</u>	<u>875,684</u>
Capital assets:					
Land	16,974	-	-	-	16,974
Construction in progress	-	80,088	-	-	80,088
Utility plant	1,824,707	1,848,728	518,132	-	4,191,567
Irrigation system	-	-	-	209,057	209,057
Equipment	66,251	133,547	17,500	-	217,298
Accumulated depreciation	(479,595)	(649,522)	(111,793)	(76,035)	(1,316,945)
Total capital assets	<u>1,428,337</u>	<u>1,412,841</u>	<u>423,839</u>	<u>133,022</u>	<u>3,398,039</u>
Total assets	<u>\$ 1,511,954</u>	<u>\$ 2,099,957</u>	<u>\$ 490,925</u>	<u>\$ 170,887</u>	<u>\$ 4,273,723</u>
Liabilities					
Current liabilities:					
Accounts payable	7,514	50,039	34,974	-	92,527
Accrued liabilities	1,499	5,714	1,045	-	8,258
Bonds payable - current	16,750	-	8,144	8,250	33,144
Capital leases payable - current	-	4,611	-	-	4,611
Compensated absences - current	3,354	3,551	2,617	391	9,913
Total current liabilities	<u>29,117</u>	<u>63,915</u>	<u>46,780</u>	<u>8,641</u>	<u>148,453</u>
Long-term liabilities:					
Bonds payable, net of current portion	241,870	-	292,184	119,130	653,184
Capital lease payable, net of current portion	-	11,110	-	-	11,110
Total long-term liabilities	<u>241,870</u>	<u>11,110</u>	<u>292,184</u>	<u>119,130</u>	<u>664,294</u>
Total liabilities	<u>270,987</u>	<u>75,025</u>	<u>338,964</u>	<u>127,771</u>	<u>812,747</u>
Net position					
Net investment in capital assets	1,169,717	1,397,120	123,511	5,642	2,695,990
Unrestricted	71,250	627,812	28,450	37,474	764,986
Total net position	<u>\$ 1,240,967</u>	<u>\$ 2,024,932</u>	<u>\$ 151,961</u>	<u>\$ 43,116</u>	<u>\$ 3,460,976</u>

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

TOWN OF IGNACIO, COLORADO
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Operating revenues					
Charges for services	\$ 226,904	\$ 488,842	\$ 466,857	\$ 35,742	\$ 1,218,345
Total operating revenues	226,904	488,842	466,857	35,742	1,218,345
Operating expenses					
Commodity purchases	116,924	127,644	-	-	244,568
Personnel services	95,794	106,224	74,393	9,457	285,868
Contracted services	3,029	1,382	406,813	88	411,312
Supplies	5,405	4,098	1,789	4,215	15,507
Repairs and maintenance	400	595	400	80	1,475
Administrative	10,232	15,939	12,083	1,969	40,223
Depreciation	38,389	53,658	15,970	3,583	111,600
Utilities	910	910	910	182	2,912
Total operating expenses	271,083	310,450	512,358	19,574	1,113,465
Operating income / (loss)	(44,179)	178,392	(45,501)	16,168	104,880
Non-operating revenues (expenses)					
Interest revenue	-	8	-	-	8
Capital grant	-	52,760	-	-	52,760
Impact fees	3,155	3,000	1,875	-	8,030
Interest	(10,715)	(827)	(13,783)	(5,278)	(30,603)
Total non-operating revenues (expenses)	(7,560)	54,941	(11,908)	(5,278)	30,195
Income (loss) before transfers	(51,739)	233,333	(57,409)	10,890	135,075
Transfers:					
Transfers in	-	-	-	-	-
Change in net position	(51,739)	233,333	(57,409)	10,890	135,075
Total net position, beginning of year	1,292,706	1,791,599	209,370	32,226	3,325,901
Total net position, end of year	<u>\$ 1,240,967</u>	<u>\$ 2,024,932</u>	<u>\$ 151,961</u>	<u>\$ 43,116</u>	<u>\$ 3,460,976</u>

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

TOWN OF IGNACIO, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 223,651	\$ 518,563	\$ 461,880	\$ 34,939	\$ 1,239,033
Cash paid to suppliers	(136,638)	(122,235)	(420,944)	(6,534)	(686,351)
Cash paid to employees	(94,166)	(109,628)	(73,202)	(9,428)	(286,424)
Net cash flows from operating activities	<u>(7,153)</u>	<u>286,700</u>	<u>(32,266)</u>	<u>18,977</u>	<u>266,258</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(80,088)	-	-	(80,088)
Capital grants	-	52,760	-	-	52,760
Principal paid on long-term debt	(16,750)	(4,405)	(7,900)	(8,250)	(37,305)
Interest paid	(10,715)	(827)	(13,783)	(5,278)	(30,603)
Connection and tap fees	3,155	3,000	1,875	-	8,030
Net cash flows from capital and related financing activities	<u>(24,310)</u>	<u>(29,560)</u>	<u>(19,808)</u>	<u>(13,528)</u>	<u>(87,206)</u>
Cash flows from investing activities:					
Interest on investments	-	8	-	-	8
Net change in cash and cash equivalents	(31,463)	257,148	(52,074)	5,449	179,060
Cash and cash equivalents, beginning of year	<u>89,755</u>	<u>329,728</u>	<u>67,510</u>	<u>30,901</u>	<u>517,894</u>
Cash and cash equivalents, end of year	<u>\$ 58,292</u>	<u>\$ 586,876</u>	<u>\$ 15,436</u>	<u>\$ 36,350</u>	<u>\$ 696,954</u>
Reconciliation of operating income to net cash provided by operating activities:					
Net operating income (loss)	\$ (44,179)	\$ 178,392	\$ (45,501)	\$ 16,168	\$ 104,880
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	38,389	53,658	15,970	3,583	111,600
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	(3,253)	29,721	(4,977)	(803)	20,688
Increase/(decrease) in payables	262	28,333	1,051	-	29,646
Increase/(decrease) in accrued liabilities	1,628	(3,404)	1,191	29	(556)
Net cash flows from operating activities	<u>\$ (7,153)</u>	<u>\$ 286,700</u>	<u>\$ (32,266)</u>	<u>\$ 18,977</u>	<u>\$ 266,258</u>

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The Town of Ignacio is a statutory municipality with a mayor – Board form of government with six elected Board members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Town has no component units.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the Town related to supplying water services to the citizens of the Town.

The **Gas Fund** accounts for the activities of the Town related to supplying natural gas services to the citizens of the Town.

The **Sewer Fund** accounts for the activities of the Town related to supplying sewer services to the citizens of the Town.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and economic development funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Receivables

All trade accounts receivable are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental and business-type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Capital assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Utility plant and distribution system	7 to 50 years
Machinery, equipment and vehicles	7 to 20 years
Infrastructure	20 to 40 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statement. See Note 9 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first type is deferred revenue – property taxes. This is reported in the governmental funds balance sheet and the government-wide financial statement. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type is pension related items reported on the government-wide financial statement. See Note 9 for more information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Fire and Police Pension Association of Colorado (FPPA) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the town manager to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as deferred revenue in the governmental funds. Property taxes for the current year are levied by the County and attach 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. The County also levies various personal property taxes during the year.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water, gas, sewer and irrigation funds are charges to customers for sales and services. The water, gas, sewer, and irrigation fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

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 the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

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

- In accordance with State statutes, prior to October 15, the Town Treasurer submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the Fund level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Town Treasurer is required to present a monthly report to the Town Board explaining any variance from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all funds of the Town.
- Appropriations lapse at the end of each calendar year.
- The Town Board may authorize supplemental appropriations during the year.

Budget amounts included in the financial statements report both the original and final amended budget. There were revisions made to the original budget during the year.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, 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.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Board. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations.

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 Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment’s language in order to determine its compliance.

Note 4. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	\$ 100
Cash in bank	<u>1,111,514</u>
Total cash and investments	<u><u>\$ 1,111,614</u></u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government 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. The 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 cash on hand was \$100 and the carrying amount of the Town's deposits was \$1,111,514. As of December 31, 2016 the bank balance of the Town's deposits was \$1,128,511 of which \$426,013 was insured by federal depository insurance and \$702,498 was collateralized by the PDPA as noted above.

Investments

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's investment policy follows Colorado statutes.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 5. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital assets, not being depreciated:				
Land	\$ 215,237	\$ 120,749	\$ -	\$ 335,986
Total capital assets, not being depreciated	<u>215,237</u>	<u>120,749</u>	<u>-</u>	<u>335,986</u>
Capital assets, being depreciated:				
Buildings & improvements	555,587	-	-	555,587
Machinery and equipment	123,201	-	-	123,201
Vehicles	574,705	33,821	(36,477)	572,049
Infrastructure	646,168	-	-	646,168
Total capital assets, being depreciated	<u>1,899,661</u>	<u>33,821</u>	<u>(36,477)</u>	<u>1,897,005</u>
Less accumulated depreciation for:				
Buildings & improvements	(338,628)	(14,634)	-	(353,262)
Machinery and equipment	(91,732)	(5,693)	-	(97,425)
Vehicles	(393,497)	(43,767)	31,319	(405,945)
Infrastructure	(101,304)	(28,481)	-	(129,785)
Total accumulated depreciation	<u>(925,161)</u>	<u>(92,575)</u>	<u>31,319</u>	<u>(986,417)</u>
Total capital assets, being depreciated, net	<u>974,500</u>	<u>(58,754)</u>	<u>(5,158)</u>	<u>910,588</u>
Governmental activities capital assets, net	<u>\$ 1,189,737</u>	<u>\$ 61,995</u>	<u>\$ (5,158)</u>	<u>\$ 1,246,574</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	\$ 10,311
Public safety	19,624
Public works/streets	41,308
Parks & recreation	3,648
Affordable housing	17,684
Total depreciation expense - governmental activities	<u>\$ 92,575</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 5. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital assets not being depreciated:				
Land	\$ 16,974	\$ -	\$ -	\$ 16,974
Construction in progress	-	80,088	-	80,088
Total capital assets, not being depreciated	<u>16,974</u>	<u>80,088</u>	<u>-</u>	<u>97,062</u>
Capital assets being depreciated:				
Utility plant	4,191,567	-	-	4,191,567
Irrigation system	209,057	-	-	209,057
Machinery and equipment	217,298	-	-	217,298
Total capital assets, being depreciated	<u>4,617,922</u>	<u>-</u>	<u>-</u>	<u>4,617,922</u>
Less accumulated depreciation for:				
Utility plant	(1,009,932)	(93,571)	-	(1,103,503)
Irrigation system	(72,452)	(3,583)	-	(76,035)
Machinery and equipment	(122,961)	(14,446)	-	(137,407)
Total accumulated depreciation	<u>(1,205,345)</u>	<u>(111,600)</u>	<u>-</u>	<u>(1,316,945)</u>
Total capital assets, being depreciated, net	<u>3,412,577</u>	<u>(111,600)</u>	<u>-</u>	<u>3,300,977</u>
Business-type activities capital assets, net	<u>\$ 3,429,551</u>	<u>\$ (31,512)</u>	<u>\$ -</u>	<u>\$ 3,398,039</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Business-Type Activities:	
Sewer	\$ 15,970
Irrigation	3,583
Water	38,389
Gas	53,658
Total depreciation expense - business-type activities	<u>\$ 111,600</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2016:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
2004 A Sales Tax Revenue Refunding Bonds	\$ 120,000	\$ -	\$ (120,000)	\$ -	\$ -
Capital Lease - Chevy Truck	20,126	-	(4,405)	15,721	4,611
Compensated absences	66,418	24,029	(26,322)	64,125	64,125
Total Governmental activity					
Long-term liabilities	<u>\$ 206,544</u>	<u>\$ 24,029</u>	<u>\$ (150,727)</u>	<u>\$ 79,846</u>	<u>\$ 68,736</u>
Business-Type Activities:					
Sewer Revenue Bonds	\$ 308,228	\$ -	\$ (7,900)	\$ 300,328	\$ 8,144
Water Loan Refunding	275,370	-	(16,750)	258,620	16,750
Irrigation Loan Refunding	135,630	-	(8,250)	127,380	8,250
Capital Lease - Chevy Truck	20,126	-	(4,405)	15,721	4,611
Compensated absences	10,468	4,972	(5,527)	9,913	9,913
Total Business-type activity					
Long-term liabilities	<u>\$ 749,822</u>	<u>\$ 4,972</u>	<u>\$ (42,832)</u>	<u>\$ 711,962</u>	<u>\$ 47,668</u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 6. Long-Term Debt, Continued

Long-term liabilities for the primary government at December 31, 2016 are comprised of the following:

Business-Type Activities:

Bonds payable:

USDA Sewer Revenue Bond assumed when the Town absorbed the local Sanitation District in 2010, bearing interest at 4.5%, due in semi-annual installments of \$10,789, maturing December 2038.	\$ 300,328
Water Refunding Bonds Series 2013, issued December 2013, bearing interest at 4%, due in monthly installments of principal and interest installments ranging from \$972 to \$2,888, maturing December 2028.	258,620
Irrigation Refunding Bonds Series 2013, issued December 2013, bearing interest at 4%, due in monthly installments of principal and interest installments ranging from \$479 to \$1,422, maturing December 2028.	<u>127,380</u>
Total bonds payable	<u><u>\$ 686,328</u></u>

Debt service requirements to maturity on bonds and loans are as follows:

Years ending December 31:	Business-Type Activities	
	Principal	Interest
2017	\$ 33,144	\$ 28,407
2018	35,515	26,973
2019	36,902	25,506
2020	38,308	24,018
2021	39,731	22,400
2022-2026	224,715	85,416
2027-2031	147,599	41,622
2032-2036	86,944	20,948
2037-2038	43,470	2,588
	<u>\$ 686,328</u>	<u>\$ 277,878</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 7. Capital Leases Payable

The Town has entered into lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board ASC 840-30-25. The leases are shown in the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with interest rates of 4.5 percent under the capital leases, together with the present value of the net minimum lease payments:

<u>December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	\$ 5,232	\$ 5,232
2018	5,232	5,232
2019	5,232	5,232
2020	1,242	1,242
Total remaining lease payments	\$ 16,938	\$ 16,938
Less: Amount representing interest	<u>(1,217)</u>	<u>(1,217)</u>
Present value of net remaining minimum lease payments	<u>\$ 15,721</u>	<u>\$ 15,721</u>

A summary of assets acquired through capital leases follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Vehicles	\$ 20,820	\$ 20,820
Accumulated depreciation	<u>(3,644)</u>	<u>(7,287)</u>
Net total	<u>\$ 17,176</u>	<u>\$ 13,533</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 8. Interfund Transfers

Interfund transfers for the year ended December 31, 2016 were as follows:

	Transfers Out:	
Transfers In:	Nonmajor	Total
General Fund	Funds	Total
	\$ 1,123	\$ 1,123
	\$ 1,123	\$ 1,123

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9. Retirement and Pension Plans

General Employees Retirement

Town employees, except public safety, are covered under a 401(a) defined contribution plan through the Ignacio Retirement Plan maintained and administered by the International Town Manager’s Association Retirement Corporation, through the Colorado County Officials and Employees Retirement Association. Employees covered by this plan are eligible to participate from the date of employment. Under the terms of the defined contribution plan, participants are required to contribute at minimum 5% of their base salary while another 5% contribution on the employee’s base salary is made by the Town. Vesting begins immediately upon participation with 100% vesting occurring after one year of credited service. Defined contribution plans are not required to have actuarial valuations performed. The portion of the Town’s contributions for, and interest forfeited by employees who leave employment before one year of service is used to reduce the Town’s current period contribution requirement. The payroll for the Town as of December 31, 2016 was \$846,590, and payroll for employees covered by this plan was \$386,239. The contributions made by the Town and employees were \$15,447 and \$15,447, respectively. The plan provisions and the required contribution rates of the Town and the employees are established and amended by the Town Board of Trustees.

Police Pension – Defined Benefit Pension Plan

The Town participates in the Fire and Police retirement plan which is administered by the Colorado Fire and Police Pension Association (FPPA). The Town reported in the Statement of Activities the following aggregate amounts related to pensions for all plans to which it contributes:

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 9. Retirement and Pension Plans, Continued

	Governmental Activities
Net pension asset	\$ 1,500
Deferred outflows of resources	139,014
Deferred inflows of resources	(1,770)

Fire & Police Pension Association

Plan description – The Town participates in the Statewide Defined Benefit Plan (SWDB) which is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on the FPPA’s website at www.fppaco.org.

Benefits provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member’s highest three years’ base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated social security employers will be reduced by that amount of social security income payable to the member annually. Effective January 1, 2007, members currently covered under social security will receive half the benefit when compared to the SWDB. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board’s discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member’s average highest three years’ base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions – The Plan sets contributions rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent in 2015. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 9. Retirement and Pension Plans, Continued

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 30,	Retirement Fund
2014	\$ 31,243
2015	32,990
2016	30,379

Pension liability – At December 31, 2016, the Town reported an asset of \$1,500 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension asset was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2015. The Town's proportion measured as of December 31, 2015, was 0.085066 percent for police, which was a decrease of 0.001777 percent from the proportions measured as of December 31, 2014.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2016, the Town recognized pension expense for SWDB of \$23,080. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,128	\$ 1,770
Changes in assumptions	23,554	-
Net difference between projected and actual earnings on pension plan investments	76,322	-
Changes in proportion and differences between contributions and proportional share of contributions	(3,369)	-
Contributions subsequent to the measurement date	30,379	-
Total	\$ 139,014	\$ 1,770

The \$30,379 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 9. Retirement and Pension Plans, Continued

Year Ending December 31	Deferred Outflows (Inflows) of Resources Police
2017	\$ 22,891
2018	22,891
2019	22,891
2020	20,999
2021	3,338
Thereafter	13,854

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	January 1, 2016
Actuarial roll forward date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	4.0-14.0%
Inflation	2.5%
Mortality rates	RP-2014 Mortality Table

The long-term expected rate of return on SWDB pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	40%	8.9%
Equity Long/Short	10%	7.5%
Illiquid Alternatives	18%	10.5%
Fixed Income	15%	4.6%
Absolute Return	12%	6.5%
Managed Futures	4%	5.5%
Cash	1%	2.5%
Total	100%	

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 9. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.5 percent, which is less than the long-term expected rate of return. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Police			
Net pension (asset) / liability	\$ 210,069	\$ (1,500)	\$ (176,989)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

Statewide Death and Disability Plan

Plan description – The plan is a multi-employer cost sharing defined benefit plan covering full-time employees of substantially all fire and police departments in Colorado. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan was established in 1980 pursuant to Colorado Revised Statutes.

Contributions – Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado Statute. In addition, there were 11 contributing employers as of December 31, 2001 who have elected supplementary coverage by the statewide plan.

The state made a one-time contribution in 1997 of \$39 million to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. The percent contributed in fiscal year 2016 was 2.6%. In 2016, the Town contributed \$9,873 for Accidental Death and Disability.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Claims have not exceeded coverage in any of the last three fiscal years.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1155, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage's and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

The Town is insured by CIRSA/WC (Workers Compensation), a separate insurance pool, for potential worker related accidents.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage's at reasonable costs. All income and assets of CIRSA shall at all times be dedicated to the exclusive benefit of its members.

The Town recognizes an expense for coverage for the amount paid to CIRSA annually for these coverage's. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

Note 11. Long-Term Contracts

Water Agreement

In December 1998, the Town amended their water supply agreement with the Southern Ute Indian Tribe (Tribe) for processing and purchasing water. The Tribe owns and maintains a water treatment plant and a distribution system that is connected to the Town's water distribution system. The Town is required to make monthly payments to the Tribe according to the water delivered to the Town at the Town Master Meters during the prior month. Water rate adjustments are set by the Tribal Council. In addition, the Town collects Tribal Water System Plant Investment Fees to be remitted to the Tribe. This agreement continues unless modified or terminated by either party in writing at least three years in advance of the proposed termination date.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2016

Note 11. Long-Term Contracts, Continued

Natural Gas Agreement

On December 19, 2008, the Town amended their natural gas agreement with the Southern Ute Indian Tribe (Tribe) for transporting natural gas to the Custody Transfer Point wherein the Town has sole responsibility for transporting the gas from the Custody Transfer Point to its customers or other destinations. The price to be paid to the Tribe by the Town for each month of delivered gas is the Inside Ferc's Gas Market Report Price of Spot Gas Delivered to Pipelines, El Paso Natural Gas, San Juan Basin, reported for each applicable month (the SJB Price), plus an amount equal to 20% of the SJB Price, per mcf of gas delivered to the Custody Transfer Point. The agreement will continue for 10 years unless modified or terminated by mutual agreement. Automatic renewals for five years occur after the initial 10 years are ended. Termination of the agreement requires a 1 year prior written notice.

Wastewater Treatment and Collection Services Agreement

On November 18, 2009, the Town amended their wastewater treatment service agreement with the Southern Ute Indian Tribe (Tribe) wherein the Tribe has sole responsibility for wastewater treatment service to the Town and the Town Service Area through the Tribal Wastewater System. The Town agreed to pay the Tribe a monthly user fee per ERT for each customer of the Town. In addition, Plant Investment Fees and Readiness to Serve fees are required according to the agreement. The term of the agreement is for 10 years unless termination by either party in accordance with other terms of the agreement or by delivery of at least three years advance written notice.

Note 12. Misappropriation of Town Funds

On January 19, 2016, the Town of Ignacio discovered that its town receptionist was misappropriating funds from the town's receipts for utility billings and licenses and permit fees. The discovery occurred when a discrepancy was noted on a customer's bill. The Town of Ignacio presented a claim to CIRSA (see Note 10 for more information on CIRSA) for employee dishonesty. The claim totals were \$67,691.78 and included the following amounts:

- 1) Cash theft evidenced by reported funds never deposited - \$44,921.76
- 2) Cash theft evidenced by unreported checks used to conceal theft - \$20,722.52
- 3) Cash theft evidenced by unreported cash and/or checks from business licenses and permit fees - \$2,047.50

Approximately \$55,500 of the loss was recorded in 2015 with the remainder being recognized in 2016. In 2016, the Town received the insurance proceeds which were equal to the amount claimed.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

TOWN OF IGNACIO, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2016

	Police	
	Reporting Fiscal Year	
	(Measurement Date)	
	2016	2015
	(2015)	(2014)
Proportion of the net pension liability (asset)	0.085066%	0.086843%
Proportionate share of the net pension liability (asset)	\$ (1,500)	\$ (98,009)
Covered employee payroll	\$ 379,740	\$ 412,378
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.39%	-23.77%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	106.80%

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

TOWN OF IGNACIO, COLORADO
Required Supplementary Information
Schedule of Contributions
December 31, 2016

	Police	
	Reporting Fiscal Year	
	(Measurement Date)	
	2016	2015
	(2015)	(2014)
	<u> </u>	<u> </u>
Contractually required contribution	\$ 32,990	\$ 31,243
Contributions in relation to the contractually required contribution	\$ (32,990)	\$ (31,243)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 379,740	\$ 412,378
Contributions as a percentage of covered-employee payroll	8.69%	7.58%

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF IGNACIO, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Property tax	\$ 31,435	\$ 31,435	\$ 31,683	\$ 248
Specific ownership taxes	1,500	1,500	1,310	(190)
Town sales tax	280,000	280,000	309,677	29,677
County sales tax	720,000	720,000	763,822	43,822
Franchise tax	2,000	2,000	4,625	2,625
Payment in lieu	700	700	1,295	595
Total taxes	<u>1,035,635</u>	<u>1,035,635</u>	<u>1,112,412</u>	<u>76,777</u>
Licenses, permits and fees:				
Liquor licenses	1,700	1,700	1,745	45
Permits	5,085	5,085	7,814	2,729
Business licenses	2,500	2,500	2,433	(67)
Animal licenses	100	100	620	520
Other licenses	500	500	3,340	2,840
Total licenses, permits and fees	<u>9,885</u>	<u>9,885</u>	<u>15,952</u>	<u>6,067</u>
Intergovernmental:				
Cigarette taxes	1,500	1,500	2,335	835
Motor vehicle registrations	2,400	2,400	2,882	482
Mineral lease	14,000	14,000	17,428	3,428
State grants	-	-	-	-
Highway user tax	21,500	21,500	26,066	4,566
Severance tax	30,000	30,000	10,522	(19,478)
County road and bridge	2,000	2,000	2,581	581
Other intergovernmental	252,125	252,125	204,511	(47,614)
Total intergovernmental	<u>323,525</u>	<u>323,525</u>	<u>266,325</u>	<u>(57,200)</u>
Fines and forfeitures:				
Court fines	2,000	2,000	1,147	(853)
Total fines and forfeitures	<u>2,000</u>	<u>2,000</u>	<u>1,147</u>	<u>(853)</u>
Charges for services:				
Trash	35,000	35,000	38,609	3,609
Snow removal	7,500	7,500	7,700	200
Planning zoning fees	500	500	150	(350)
Other fees	2,400	2,400	5,213	2,813
Total charges for services	<u>45,400</u>	<u>45,400</u>	<u>51,672</u>	<u>6,272</u>
Interest:				
Interest revenue	12	12	-	(12)
Total interest	<u>12</u>	<u>12</u>	<u>-</u>	<u>(12)</u>
Other revenues:				
Other revenues	335,998	335,998	79,658	(256,340)
Total other revenues	<u>335,998</u>	<u>335,998</u>	<u>79,658</u>	<u>(256,340)</u>
Total revenues	<u>1,752,455</u>	<u>1,752,455</u>	<u>1,527,166</u>	<u>(225,289)</u>

(continued)

TOWN OF IGNACIO, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2016

Expenditures	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Legislative				
Personnel services	11,522	11,522	8,068	3,454
Supplies	500	500	-	500
Purchased services	2,150	2,150	1,645	505
Other	300	300	-	300
Total legislative	<u>14,472</u>	<u>14,472</u>	<u>9,713</u>	<u>4,759</u>
Administration:				
Personnel services	314,643	314,643	59,370	255,273
Supplies	14,560	14,560	4,643	9,917
Purchased services	38,515	38,515	117,846	(79,331)
Repairs and maintenance	4,000	4,000	3,651	349
Grants and contributions	7,857	7,857	7,857	-
Utilities	30,525	30,525	10,991	19,534
Other	61,819	34,797	38,381	(3,584)
Total administration	<u>471,919</u>	<u>444,897</u>	<u>242,739</u>	<u>202,158</u>
Community Development:				
Personnel services	76,873	76,873	65,687	11,186
Purchased services	9,700	9,700	2,140	7,560
Supplies	2,200	2,200	-	2,200
Other	3,230	3,230	895	2,335
Total community development	<u>92,003</u>	<u>92,003</u>	<u>68,722</u>	<u>23,281</u>
Public Safety:				
Personnel services	579,928	579,928	571,032	8,896
Supplies	11,500	11,500	12,458	(958)
Purchased services	-	-	3,671	(3,671)
Repairs and maintenance	5,000	5,000	4,472	528
Grants and contributions	11,452	11,452	11,078	374
Utilities	-	-	6,870	(6,870)
Other	26,750	26,750	27,268	(518)
Total public safety	<u>634,630</u>	<u>634,630</u>	<u>636,849</u>	<u>(2,219)</u>
Public Works:				
Personnel services	225,110	225,110	67,121	157,989
Supplies	6,700	6,700	8,451	(1,751)
Purchased services	31,000	31,000	34,828	(3,828)
Repairs and maintenance	56,300	56,300	50,411	5,889
Utilities	-	-	3,037	(3,037)
Other	26,200	26,200	30,043	(3,843)
Total public works	<u>345,310</u>	<u>345,310</u>	<u>193,891</u>	<u>151,419</u>

(continued)

TOWN OF IGNACIO, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2016

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Parks:				
Personnel services	12,884	12,884	13,441	(557)
Supplies	4,300	4,300	2,130	2,170
Other	1,500	1,500	174	1,326
Total parks	18,684	18,684	15,745	2,939
Debt Service:				
Principal	123,152	123,152	124,405	(1,253)
Interest	-	-	3,227	(3,227)
Total debt service	123,152	123,152	127,632	(4,480)
Capital outlay:				
Capital outlay	41,500	41,500	39,689	1,811
Total capital outlay	41,500	41,500	39,689	1,811
Total expenditures	1,741,670	1,714,648	1,334,980	379,668
Excess of revenues over (under) expenditures	10,785	37,807	192,186	154,379
Other financing sources (uses):				
Transfers in	1,123	1,123	1,123	-
Total other financing sources (uses)	1,123	1,123	1,123	-
Net change in fund balance	11,908	38,930	193,309	154,379
Fund balance, beginning of year	256,282	256,282	256,282	-
Fund balance, end of year	\$ 268,190	\$ 295,212	\$ 449,591	\$ 154,379

TOWN OF IGNACIO, COLORADO
SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

The **Economic Development Fund** is used to account for revenues and expenditures to develop affordable housing for the Town.

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

Nonmajor Capital Project Funds

The **Capital Improvement Fund** accounts for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The **Impact Fees Fund** accounts for impact fees charged on development to offset increased costs to the Town.

TOWN OF IGNACIO, COLORADO
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total</u>
	<u>Economic Development</u>	<u>Conservation Trust</u>	<u>Capital Improvement</u>	<u>Impact Fees</u>	
Assets					
Cash	\$ 17,126	\$ 38,835	\$ 97,230	\$ 59,630	\$ 212,821
Due from other governments	-	-	3,500	-	3,500
Total assets	<u>\$ 17,126</u>	<u>\$ 38,835</u>	<u>\$ 100,730</u>	<u>\$ 59,630</u>	<u>\$ 216,321</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted for:					
Parks and recreation	-	38,835	-	15,806	54,641
Streets	-	-	-	43,824	43,824
Committed for:					
Façade loans	17,126	-	-	-	17,126
Capital improvements	-	-	100,730	-	100,730
Total fund balance	<u>17,126</u>	<u>38,835</u>	<u>100,730</u>	<u>59,630</u>	<u>216,321</u>
Total liabilities and fund balance	<u>\$ 17,126</u>	<u>\$ 38,835</u>	<u>\$ 100,730</u>	<u>\$ 59,630</u>	<u>\$ 216,321</u>

TOWN OF IGNACIO, COLORADO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue		Capital Projects		Total
	Economic Development	Conservation Trust	Capital Improvement	Impact Fees Fund	
Revenues					
Intergovernmental	\$ -	\$ 8,761	\$ 3,500	\$ -	\$ 12,261
Impact fees	-	-	-	-	-
Interest revenue	17	-	-	-	17
Total revenues	<u>17</u>	<u>8,761</u>	<u>3,500</u>	<u>-</u>	<u>12,278</u>
Expenditures					
Capital Outlay	114,219	-	13,627	-	127,846
Total expenditures	<u>114,219</u>	<u>-</u>	<u>13,627</u>	<u>-</u>	<u>127,846</u>
Excess of revenues over (under) expenditures	<u>(114,202)</u>	<u>8,761</u>	<u>(10,127)</u>	<u>-</u>	<u>(115,568)</u>
Other financing sources (uses):					
Transfers out	-	-	-	(1,123)	(1,123)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,123)</u>	<u>(1,123)</u>
Net change in fund balances	(114,202)	8,761	(10,127)	(1,123)	(116,691)
Fund balance, beginning of year	<u>131,328</u>	<u>30,074</u>	<u>110,857</u>	<u>60,753</u>	<u>333,012</u>
Fund balance, end of year	<u>\$ 17,126</u>	<u>\$ 38,835</u>	<u>\$ 100,730</u>	<u>\$ 59,630</u>	<u>\$ 216,321</u>

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TOWN OF IGNACIO, COLORADO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING FUNDS:

Nonmajor Special Revenue Funds

The **Economic Development Fund** is used to account for revenues and expenditures to develop affordable housing for the Town.

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

Nonmajor Capital Project Funds

The **Capital Improvement Fund** accounts for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The **Impact Fees Fund** accounts for impact fees charged on development to offset increased costs to the Town.

Major and Nonmajor Enterprise Funds

Enterprise Funds are used to 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. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

The **Water Fund** accounts for the activities of the Town related to supplying water services to the citizens of the Town.

The **Gas Fund** accounts for the activities of the Town related to supplying natural gas services to the citizens of the Town.

The **Sewer Fund** accounts for the activities of the Town related to supplying sewer services to the citizens of the Town.

The **Irrigation Fund** accounts for user charges and contract payments for providing irrigation water handling services to the citizens of the Town.

TOWN OF IGNACIO, COLORADO
Economic Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 31,250	\$ 31,250	\$ -	\$ (31,250)
Interest	-	-	17	17
Total revenues	<u>31,250</u>	<u>31,250</u>	<u>17</u>	<u>(31,233)</u>
Expenditures				
Capital outlay	<u>55,000</u>	<u>122,000</u>	<u>114,219</u>	<u>7,781</u>
Total expenditures	<u>55,000</u>	<u>122,000</u>	<u>114,219</u>	<u>7,781</u>
Excess of revenues over (under) expenditures	<u>(23,750)</u>	<u>(90,750)</u>	<u>(114,202)</u>	<u>(23,452)</u>
Other financing sources (uses):				
Transfers in	<u>7,376</u>	<u>7,376</u>	<u>-</u>	<u>(7,376)</u>
Total other financing sources (uses):	<u>7,376</u>	<u>7,376</u>	<u>-</u>	<u>(7,376)</u>
Net change in fund balance	(16,374)	(83,374)	(114,202)	(30,828)
Fund balance, beginning of year	<u>131,328</u>	<u>131,328</u>	<u>131,328</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 114,954</u></u>	<u><u>\$ 47,954</u></u>	<u><u>\$ 17,126</u></u>	<u><u>\$ (30,828)</u></u>

TOWN OF IGNACIO, COLORADO
Conservation Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 30,144	\$ 30,144	\$ 8,761	\$ (21,383)
Interest revenue	10	10	-	(10)
Total revenue	<u>30,154</u>	<u>30,154</u>	<u>8,761</u>	<u>(21,393)</u>
Expenditures				
Capital Outlay	<u>32,192</u>	-	-	-
Total expenditures	<u>32,192</u>	-	-	-
Net change in fund balance	(2,038)	30,154	8,761	(21,393)
Fund balance, beginning of year	<u>30,074</u>	<u>30,074</u>	<u>30,074</u>	-
Fund balance, end of year	<u><u>\$ 28,036</u></u>	<u><u>\$ 60,228</u></u>	<u><u>\$ 38,835</u></u>	<u><u>\$ (21,393)</u></u>

TOWN OF IGNACIO, COLORADO
Capital Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 130,545	\$ 130,545	\$ 3,500	\$ (127,045)
Total revenue	130,545	130,545	3,500	(127,045)
Expenditures				
Administrative	5,905	-	-	-
Capital outlay	185,809	52,444	13,627	38,817
Total expenditures	191,714	52,444	13,627	38,817
Excess of revenues over (under) expenditures	(61,169)	78,101	(10,127)	(88,228)
Other financing sources (uses):				
Transfers in	16,500	16,500	-	(16,500)
Total other financing sources (uses):	16,500	16,500	-	(16,500)
Net change in fund balance	(44,669)	94,601	(10,127)	(104,728)
Fund balance, beginning of year	110,857	110,857	110,857	-
Fund balance, end of year	\$ 66,188	\$ 205,458	\$ 100,730	\$ (104,728)

TOWN OF IGNACIO, COLORADO
Impact Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Impact fees	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Total revenue	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Other financing sources (uses):				
Transfers out	<u>(1,123)</u>	<u>(1,123)</u>	<u>(1,123)</u>	<u>-</u>
Total other financing sources (<u>(1,123)</u>	<u>(1,123)</u>	<u>(1,123)</u>	<u>-</u>
Net change in fund balance	1,377	1,377	(1,123)	(2,500)
Fund balance, beginning of year	<u>60,753</u>	<u>60,753</u>	<u>60,753</u>	<u>-</u>
Fund balance, end of year	<u>\$ 62,130</u>	<u>\$ 62,130</u>	<u>\$ 59,630</u>	<u>\$ (2,500)</u>

TOWN OF IGNACIO, COLORADO
Water Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 200,400	\$ 200,400	\$ 226,904	\$ 26,504
Impact fees	-	-	3,155	3,155
Total revenues	<u>200,400</u>	<u>200,400</u>	<u>230,059</u>	<u>29,659</u>
Expenses				
Commodity purchases	109,935	125,750	116,924	8,826
Personnel services	88,491	87,016	95,794	(8,778)
Contracted services	11,041	3,015	3,029	(14)
Supplies	7,756	5,439	5,405	34
Repairs and maintenance	991	411	400	11
Administrative	18,654	10,484	10,232	252
Utilities	1,116	933	910	23
Debt service	<u>25,393</u>	<u>25,393</u>	<u>10,715</u>	<u>14,678</u>
Total expenses	<u>263,377</u>	<u>258,441</u>	<u>243,409</u>	<u>15,032</u>
Change in net position - budget basis	<u>\$ (62,977)</u>	<u>\$ (58,041)</u>	(13,350)	<u>\$ 44,691</u>
GAAP Basis Adjustments				
Depreciation			<u>(38,389)</u>	
Change in net position - GAAP basis			(51,739)	
Net position, beginning of year			<u>1,292,706</u>	
Net position, end of year			<u><u>\$ 1,240,967</u></u>	

TOWN OF IGNACIO, COLORADO
Gas Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 481,400	\$ 481,400	\$ 488,842	\$ 7,442
Interest revenue	-	-	8	8
Impact fees	-	-	3,000	3,000
Grant revenue	430,000	430,000	52,760	(377,240)
Total revenues	<u>911,400</u>	<u>911,400</u>	<u>544,610</u>	<u>(366,790)</u>
Expenses				
Commodity purchases	243,900	94,180	127,644	(33,464)
Personnel services	117,647	102,255	106,224	(3,969)
Contracted services	10,041	1,452	1,382	70
Supplies	11,956	4,386	4,098	288
Repairs and maintenance	6,491	611	595	16
Administrative	22,229	20,236	15,939	4,297
Capital outlay	649,232	14,591	-	14,591
Utilities	1,116	933	910	23
Debt service	-	-	827	-
Total expenses	<u>1,062,612</u>	<u>238,644</u>	<u>257,619</u>	<u>(18,148)</u>
Change in net position - budget basis	<u>\$ (151,212)</u>	<u>\$ 672,756</u>	286,991	<u>\$ (384,938)</u>
GAAP Basis Adjustments				
Depreciation			<u>(53,658)</u>	
Change in net position - GAAP basis			233,333	
Net position, beginning of year			<u>1,791,599</u>	
Position, end of year			<u><u>\$ 2,024,932</u></u>	

TOWN OF IGNACIO, COLORADO
Sewer Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 400,836	\$ 400,836	\$ 466,857	\$ 66,021
Impact fees	-	-	1,875	1,875
Total revenues	<u>400,836</u>	<u>400,836</u>	<u>468,732</u>	<u>67,896</u>
Expenses				
Personnel services	73,038	67,507	74,393	(6,886)
Contract services	382,812	406,596	406,813	(217)
Supplies	4,256	2,014	1,789	225
Repairs and maintenance	2,491	411	400	11
Administration	14,579	12,335	12,083	252
Utilities	1,116	933	910	23
Debt service	<u>21,551</u>	<u>21,551</u>	<u>13,783</u>	<u>7,768</u>
Total expenses	<u>499,843</u>	<u>511,347</u>	<u>510,171</u>	<u>1,176</u>
Change in net position - budget basis	<u>\$ (99,007)</u>	<u>\$ (110,511)</u>	(41,439)	<u>\$ 69,072</u>
GAAP Basis Adjustments				
Depreciation			<u>(15,970)</u>	
Change in net position - GAAP basis			(57,409)	
Net position - beginning of year			<u>209,370</u>	
Net position - end of year			<u>\$ 151,961</u>	

TOWN OF IGNACIO, COLORADO
Irrigation Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 25,500	\$ 25,500	\$ 35,742	\$ 10,242
Total revenues	25,500	25,500	35,742	10,242
Expenses				
Personnel Services	10,656	8,831	9,457	(626)
Contracted services	1,608	94	88	6
Supplies	5,126	3,656	4,215	(559)
Repairs and Maintenance	98	86	80	6
Administrative	2,417	2,104	1,969	135
Utilities	223	194	182	12
Debt service	15,993	15,993	5,278	10,715
Total expenses	36,121	30,958	21,269	9,689
Change in net position - budget basis	<u>\$ (10,621)</u>	<u>\$ (5,458)</u>	14,473	<u>\$ 19,931</u>
GAAP Basis Adjustments				
Depreciation			(3,583)	
Change in net position - GAAP basis			10,890	
Net position - beginning of year			32,226	
Net position - end of year			<u>\$ 43,116</u>	

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SUPPLEMENTARY INFORMATION

LOCAL HIGHWAY FINANCE REPORT

Section 43-2-132 of the Colorado Revised Statutes requires municipalities receiving Highway User Tax Funds to include a schedule of highway receipts and expenditures with the audit report. The said report is presented on the following two pages.

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

LOCAL HIGHWAY FINANCE REPORT

City or County:
Town of Ignacio, CO
YEAR ENDING :
December 2016

Prepared By: Diana Briar, Treasurer
Phone: 1-970-563-9494

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	19,653
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	0.00
3. Other local imposts (from page 2)	1,311	c. Other	20,115
4. Miscellaneous local receipts (from page 2)	2,581	d. Total (a. through c.)	20,115
5. Transfers from toll facilities		4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	39,768
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	3,892	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	36,647	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	40,539	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	39,768

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	23,427	40,539	39,768	24,198	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	1,311	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,311	h. Other - Road and Bridge	2,581
c. Total (a. + b.)	1,311	i. Total (a. through h.)	2,581
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	26,066	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	2,881	d. Federal Transit Admin	
d. Other - Snow Removal	7,700	e. U.S. Corps of Engineers	
e. Other -		f. Other Federal	
f. Total (a. through e.)	10,582	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	36,647	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments:

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**Independent Auditors' 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***

The Honorable Mayor and Board
Town of Ignacio, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ignacio, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise of the Town of Ignacio, Colorado's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ignacio, 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 the Town of Ignacio, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ignacio, 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 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 the Town's financial statements are free of 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*.

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.



HintonBurdick, PLLC
St. George, Utah
June 30, 2017