

Town of Iliff, Colorado
Financial Statements
For the Year Ended December 31, 2016



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Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22-23
Notes to Financial Statements	24-37
Required Supplementary Information	
General Fund - Budgetary Comparison Schedule	40
Conservation Trust Fund – Budgetary Comparison Schedule	41
Notes to the Required Supplementary Information	42
Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule – Revenues	46
Budgetary Comparison Schedule – Expenditures	47

Table of Contents

	<u>Page</u>
Budgetary Comparison Schedules – Enterprise Funds	
Water Fund – Budgetary Comparison Schedule	50
Sewer Fund – Budgetary Comparison Schedule	51
Colorado Department of Highways Local Highway Finance Report	54-55



Independent Auditors' Report

To the Honorable Mayor and Members of Town Council
Town of Iliff
Iliff, 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 Iliff (the Town) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 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 and budgetary comparison information 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's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
September 25, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Iliff, Colorado's annual financial report presents the discussion and analysis of the financial performance for the fiscal year that ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The Town of Iliff remains in good financial condition.
- The assets of the Town of Iliff exceeded its liabilities at the close of 2016 by \$1,287,199 (net position). Of this amount \$497,254 or 39% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's total revenues exceeded expenses by \$673,067.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Iliff's basic financial statements. The Town of Iliff's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements.
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

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

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

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities.** Most of the Town's basic services are included here, such as public works, parks, recreation, and general administration. Property tax and intergovernmental revenue finance most of these activities.
- **Business-type activities.** The Town charges fees to customers to recover most of the costs of certain services provided. The Town's water, sewer and sanitation systems are included here.

The government-wide financial statements can be found starting on page 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law, however, the Town Council has established other funds to help control and manage money for particular purposes or to show that it is properly using certain revenue (Conservation Trust Fund). All of the funds of the Town of Iliff can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statement provides a detailed, short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found starting on page 14 of this report.

Proprietary funds. When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, 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. The Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found starting on page 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Town has no fiduciary funds to report.

Notes to the Financial Statements

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Iliff, assets exceed liabilities by \$1,287,199 at the close of 2016.

Net Position

Combined net position of the Town of Iliff as of December 31, 2016 are shown in Table 1 below. The Town did not issue financial statements prepared in accordance with generally accepted accounting principles in the prior year, therefore, a detailed comparison to the prior year is not possible.

Table 1
NET POSITION

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	94,286	548,124	642,410
Capital assets	53,732	1,115,990	1,169,722
Total assets	<u>148,018</u>	<u>1,664,114</u>	<u>1,812,132</u>
Long-term debt outstanding	-	-	-
Other liabilities	1,388	512,798	514,186
Total liabilities	<u>1,388</u>	<u>512,798</u>	<u>514,186</u>
Deferred inflows of resources	10,747	-	10,747
Net position			
Net investment in capital assets	53,732	715,990	769,722
Restricted	20,223	-	20,223
Unrestricted	61,928	435,326	497,254
Total net position	<u>135,883</u>	<u>1,151,316</u>	<u>1,287,199</u>
Total liabilities, deferred inflows and net position	<u>148,018</u>	<u>1,664,114</u>	<u>1,812,132</u>

The largest portion of the Town of Iliff's net position, 60%, reflects its investment in capital assets (land, buildings and equipment). The Town of Iliff uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. In addition, a portion of the Town of Iliff's net position, 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 39%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2016, the Town of Iliff is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in net position

The Town's total revenue of \$809,132 was more than program expenses of \$136,065 for an increase in net position of \$673,067.

Combined changes in net position of the Town of Iliff as of December 31, 2016 are shown in Table 2 below. The Town did not issue financial statements prepared in accordance with generally accepted accounting principles in the prior year, therefore, a detailed comparison to the prior year is not possible.

Table 2
CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Total Primary Government
Program revenues			
Charges for services	2,550	104,397	106,947
Operating grants	17,312	-	17,312
Capital grants	-	662,920	662,920
General revenues			
Property taxes	10,912	-	10,912
Franchise taxes	6,423	-	6,423
Other taxes	1,245	-	1,245
Mineral lease	204	-	204
Unrestricted earnings	367	-	367
Miscellaneous	2,802	-	2,802
Total revenues	41,815	767,317	809,132
Program expenses			
General government	27,403	-	27,403
Public works	12,377	-	12,377
Culture and recreation	3,879	-	3,879
Business-type activities			
Water services	-	55,093	55,093
Sewer services	-	37,313	37,313
Total expenses	43,659	92,406	136,065
Change in net position	(1,844)	674,911	673,067
Net position at beginning of year	137,727	476,405	614,132
Net position at end of year	<u>135,883</u>	<u>1,151,316</u>	<u>1,287,199</u>

Governmental Activities

Revenue for the Town's governmental activities totaled \$41,815 for 2016. Tax revenue produced 44% of these revenues. Tax revenue includes property taxes, sales and other taxes.

Table 3
GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government	\$ 27,403	\$ 24,853
Public works	12,377	(4,935)
Culture and recreation	3,879	3,879

Table 3 presents the cost and revenue of each of the Town’s three largest programs – general government, public works, and culture recreation – as well as each program’s *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

Business-type Activities

Net position in business-type activities increased by \$674,911 in 2016. Business-type activities include water and sewer services.

**Table 4
BUSINESS-TYPE ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Water services	\$ 55,093	\$ (660,193)
Sewer services	37,313	(14,718)

Table 4, above, presents the cost and revenue of each of the Town’s business-type activities – water and sewer – as well as the program *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

THE TOWN’S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$82,151. The general fund and other governmental funds reported fund balances of \$63,128 and \$19,023, respectively.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$16,685 below the final budget amounts due to salaries and benefits, along with professional services, costing less than originally anticipated.

Additionally, resources available for appropriation (revenues) were \$904 below than the final budgeted amount. Revenues collected through taxes and intergovernmental sources were lower than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Iliff’s investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$1,169,722 (net of accumulated depreciation). This amount includes a broad range of capital assets, including public works equipment, water, sewer and other infrastructure.

The Town remains committed to the upkeep and maintenance of the Town’s largest assets. More detailed information about the Town’s capital assets is presented in Table 5.

Table 5
CAPITAL ASSETS ON DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
Land and improvements	25,507	17,607	43,114
Construction in progress	-	122,447	122,447
Buildings and improvements	22,131	-	22,131
Equipment	6,094	-	6,094
Systems	-	975,936	975,936
Total	<u>53,732</u>	<u>1,115,990</u>	<u>1,169,722</u>

Long-term debt. The Town had \$400,000 in debt outstanding at year-end. More detailed information about the Town's long-term debt is presented in Table 6 and Note F to the financial statements.

Table 6
LONG-TERM DEBT ON DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
Notes payable	-	400,000	400,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wastewater Treatment Facility (WWTF) Update

Background: In 2013 the Colorado Department of Public Health and Environment notified the Town of Liff that the current wastewater treatment system is not in compliance with environmental regulations. With this violation notification, the town was required to respond with a plan on how they would correct the violations to avoid significant monthly monetary fines. In June 2013, the town sent a correction plan to the Water Quality Control Division, Colorado Department of Public Health which stated by August 2014 the town would hire an engineer, secure the funding, and construct a new wastewater treatment facility. With many different roadblocks and the emergency repair of the main water supply into town due to the flood, this project was placed on hold. We have now started the process to construct the new WWTF. On May 11, 2017 the construction pre-bid meeting was held to solicit contractors that are interested in building the new treatment facility. The project construction notice to proceed was issued on September 5, 2017 with an expected final completion date of March 2018.

Project Funding: Total project budget is: \$1,730,500. To pay for the new WWTF the following funding sources have been secured:

- Applicant Contribution-\$10,000
- USDA Rural Development
 - Grants -\$1,106,500
 - Loans-\$414,000
- Colorado Department of Local Affairs grant-\$200,000

The project costs will be 73% grant funded with 27% funded with loans.

Rate Increase: To cover the costs of the loans to construct the new WWTF, the sewer rates will need to increase. The increase will cover the costs of the loan as well as the operation of the new treatment facility.

In September 2017, a sewer rate increase of \$10 was implemented. In January 2018 another proposed rate increase of \$10 will occur-\$7.50 applied to sewer and \$2.50 applied to water. The \$2.50 water increase is required to keep our rates consistent with the state averages for municipalities. The new rates are proposed increases and may vary as the 2018 town budget is constructed.

New Rates

September 2017-\$75.00

Water-\$38.75

Sewer-\$36.25

Proposed January 2018-\$85.00

Water-\$41.25

Sewer-\$43.75

Flood Recovery Update

In June of 2015, the Town of Iliff's main water supply line broke as a result of the flooded South Platte River. During this water break the Town of Iliff was without water for 23 days. During this time the town board frantically searched for a funding source to help implement a temporary water line until the permanent line that ran underneath the South Platte River south of town could be repaired. The funding sources secured for the temporary and permanent water line repairs were the Colorado Department of Local Affairs (DOLA), Department of Homeland Security (DHSEM) aka FEMA. Until the DOLA & DHSEM funds were dispersed, the Town of Iliff requested a Rural Economic Development loan of \$400,000 from Highline Electric Association (HEA) to get the temporary line in place until the grants funds were dispersed. The HEA loan has an interest rate of 3.5% per annum with an Administrative Charge of \$1,000 and an Administrative fee of \$2,000. At the end of 2016 the town paid \$15,126 in interest and administrative charges and fees to HEA for the loan. The loan agreement was renewed for 2017 at the same interest rates and charges as the DHSEM funds have not been fully paid to the town to pay off the HEA loan. The total project costs were approximately \$1,100,000 for the temporary line that was implemented in June of 2015 and the permanent line repair with the work be complete in November 2016.

REQUESTS FOR INFORMATION

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 funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact Town of Iliff, P.O. Box 194, Iliff, Colorado 80736.

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Basic Financial Statements

The basic financial statements of the Town include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

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

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 27,687	\$ 110,207	\$ 137,894
Cash with county treasurer	1,770		1,770
Certificates of deposit	51,057		51,057
Receivables	13,772	437,917	451,689
Capital assets, net of depreciation	<u>53,732</u>	<u>1,115,990</u>	<u>1,169,722</u>
Total assets	<u>\$ 148,018</u>	<u>\$ 1,664,114</u>	<u>\$ 1,812,132</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,388	\$ 112,798	\$ 114,186
Noncurrent liabilities			
Due within one year		<u>400,000</u>	<u>400,000</u>
Total liabilities	1,388	512,798	514,186
Deferred inflows of resources			
Deferred property tax revenues	<u>10,747</u>		<u>10,747</u>
Total deferred inflows of resources	10,747	-	10,747
Net position			
Net investment in capital assets	53,732	715,990	769,722
Restricted for:			
Emergencies	1,200		1,200
Culture and recreation	19,023		19,023
Unrestricted	<u>61,928</u>	<u>435,326</u>	<u>497,254</u>
Total net position	<u>135,883</u>	<u>1,151,316</u>	<u>1,287,199</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 148,018</u>	<u>\$ 1,664,114</u>	<u>\$ 1,812,132</u>

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

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 27,403	\$ 2,550		
Public works	12,377		\$ 17,312	
Culture and recreation	3,879			
Total governmental activities	43,659	2,550	17,312	\$ -
Business-type activities				
Water	55,093	67,865		647,421
Sewer	37,313	36,532		15,499
Total business-type activities	92,406	104,397	-	662,920
Total	<u>\$ 136,065</u>	<u>\$ 106,947</u>	<u>\$ 17,312</u>	<u>\$ 662,920</u>
		General revenues		
		Taxes		
		Property taxes, levied for general purposes		
		Other taxes		
		Franchise taxes		
		Mineral lease revenues		
		Unrestricted earnings on investments		
		Miscellaneous		
		Total general revenues		
		Change in net position		
		Net position at beginning of year		
		Net position at end of year		

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (24,853)		\$ (24,853)
4,935		4,935
<u>(3,879)</u>		<u>(3,879)</u>
(23,797)	\$ -	(23,797)
	660,193	660,193
	<u>14,718</u>	<u>14,718</u>
-	<u>674,911</u>	<u>674,911</u>
(23,797)	674,911	651,114
10,912		10,912
1,245		1,245
6,423		6,423
204		204
367		367
<u>2,802</u>		<u>2,802</u>
21,953	-	21,953
(1,844)	674,911	673,067
<u>137,727</u>	<u>476,405</u>	<u>614,132</u>
<u>\$ 135,883</u>	<u>\$ 1,151,316</u>	<u>\$ 1,287,199</u>

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

	General Fund	Conservation Trust Fund	Total Governmental Funds
Assets			
Cash	\$ 20,210	\$ 7,477	\$ 27,687
Cash with county treasurer	1,770		1,770
Certificates of deposit	40,216	10,841	51,057
Accounts receivable	2,320	705	3,025
Property taxes receivable	10,747		10,747
Total assets	<u>\$ 75,263</u>	<u>\$ 19,023</u>	<u>\$ 94,286</u>
Liabilities			
Accounts payable	\$ 1,388		\$ 1,388
Total liabilities	1,388	-	1,388
Deferred inflows of resources			
Deferred property tax revenues	10,747		10,747
Total deferred inflows of resources	10,747	-	10,747
Fund balance			
Restricted for emergencies	1,200		1,200
Restricted for culture and recreation		19,023	19,023
Unassigned	61,928		61,928
Total fund balance	<u>63,128</u>	<u>19,023</u>	<u>82,151</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 75,263</u>	<u>\$ 19,023</u>	<u>\$ 94,286</u>

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

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

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

Total fund balances - governmental funds	\$ 82,151
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	<u>53,732</u>
Net position of governmental activities	<u><u>\$ 135,883</u></u>

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

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

	General Fund	Conservation Trust Fund	Total Governmental Funds
Revenues			
Taxes	\$ 18,580		\$ 18,580
Intergovernmental revenue	14,584	\$ 2,932	17,516
Miscellaneous revenue	5,697	22	5,719
Total revenues	38,861	2,954	41,815
Expenditures			
Current			
General government	25,577		25,577
Public works	12,377		12,377
Culture and recreation		17,176	17,176
Total expenditures	37,954	17,176	55,130
Net change in fund balance	907	(14,222)	(13,315)
Fund balance at beginning of year, as restated	62,221	33,245	95,466
Fund balance at end of year	<u>\$ 63,128</u>	<u>\$ 19,023</u>	<u>\$ 82,151</u>

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

TOWN OF ILIFF, 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 - governmental funds \$ (13,315)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.

11,471

Change in net position of governmental activities

\$ (1,844)

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

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

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current assets			
Cash	\$ 62,015	\$ 48,192	\$ 110,207
Due from other funds	7,591		7,591
Accounts receivable	1,733	1,657	3,390
Grants receivable	434,527		434,527
Total current assets	505,866	49,849	555,715
Noncurrent assets			
Capital assets, net of depreciation	899,036	216,954	1,115,990
Total noncurrent assets	899,036	216,954	1,115,990
Total assets	\$ 1,404,902	\$ 266,803	\$ 1,671,705
Liabilities			
Current liabilities			
Accounts payable	\$ 16,814	\$ 95,984	\$ 112,798
Due to other funds		7,591	7,591
Current portion of long-term debt	400,000		400,000
Total current liabilities	416,814	103,575	520,389
Net position			
Net investment in capital assets	499,036	216,954	715,990
Unrestricted (deficit)	489,052	(53,726)	435,326
Total net position	988,088	163,228	1,151,316
Total liabilities and net position	\$ 1,404,902	\$ 266,803	\$ 1,671,705

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

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

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues			
Charges for services	\$ 67,865	\$ 36,532	\$ 104,397
Operating expenses			
Salaries	4,518	5,156	9,674
Contract labor	4,361	16,863	21,224
Supplies	779	36	815
Repairs and maintenance	3,149	160	3,309
Utilities	10,197	727	10,924
Testing	216	8,669	8,885
Assessments	1,100		1,100
Dues	153		153
Miscellaneous	6	1,736	1,742
Depreciation	15,488	3,966	19,454
Total operating expenses	39,967	37,313	77,280
Operating income (loss)	27,898	(781)	27,117
Nonoperating revenues (expenses)			
Grants	647,421	15,499	662,920
Interest and fiscal charges	(15,126)		(15,126)
Total nonoperating revenues	632,295	15,499	647,794
Change in net position	660,193	14,718	674,911
Net position at beginning of year, as restated	327,895	148,510	476,405
Net position at end of year	\$ 988,088	\$ 163,228	\$ 1,151,316

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

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

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 67,132	\$ 35,875	\$ 103,007
Internal activity - receipts from (payments to) other funds	(7,591)	7,591	-
Payments to suppliers	(432,669)	(28,536)	(461,205)
Payments to employees	(5,114)	(5,858)	(10,972)
Net cash provided (used) by operating activities	(378,242)	9,072	(369,170)
Cash flows from capital and related financing activities			
Grant revenues	616,977		616,977
Loan proceeds	400,000		400,000
Purchase of capital assets	(624,914)	(16,036)	(640,950)
Interest and fiscal charges	(15,126)		(15,126)
Net cash provided (used) by capital and related financing activities	376,937	(16,036)	360,901
Net decrease in cash	(1,305)	(6,964)	(8,269)
Cash and cash equivalents at beginning of year	63,320	55,156	118,476
Cash and cash equivalents at end of year	<u>\$ 62,015</u>	<u>\$ 48,192</u>	<u>\$ 110,207</u>

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

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 27,898	\$ (781)	\$ 27,117
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	15,488	3,966	19,454
Changes in assets and liabilities			
Receivables	(733)	(657)	(1,390)
Interfund items	(7,591)	7,591	-
Accounts payable	(412,708)	(345)	(413,053)
Accrued salaries	(596)	(702)	(1,298)
Net cash provided (used) by operating activities	<u>\$ (378,242)</u>	<u>\$ 9,072</u>	<u>\$ (369,170)</u>

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Town of Iliff's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Town has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Town has no component units.

A.2 – Fund accounting

The Town uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), major capital projects (capital projects fund), and the servicing of general long-term debt (debt service fund). The following are the Town's major governmental funds:

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the Town. It is used to account for most of the day-to-day operations of the Town which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the Town, except for activities of the enterprise funds.

Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Town's major proprietary funds:

Water Fund – This fund was established to account for all operations of the water utility services provided by the Town.

Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the Town.

A.3 – Basis of presentation

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

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

A.4 – Basis of accounting

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

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.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied and that the amounts become available.

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

A.5 – Encumbrances

Encumbrances outstanding at year-end are considered immaterial and thus are not reported as reservations of fund balance.

A.6 – Cash and cash equivalents

For the purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.7 – Short-term interfund receivables/payables

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

A.8 – Receivables

Monthly charges for electric, water and sewer services are included with monthly utility billings. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Capital assets

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

All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	50 years	40 years
Equipment	3-25 years	3-10 years
Improvements other than buildings	10-50 years	25-50 years
Infrastructure	50 years	n/a

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

- *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
- *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the town council (the Town's highest level of decision-making authority),
- *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 restricted or committed, and
- *Unassigned* fund balance is the residual classification for the Town's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the town council through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

When both restricted and unrestricted resources are available in governmental funds, the Town applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

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

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

A.13 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are service charges for water and sewer utility services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.14 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.15 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the town council and that are either unusual in nature or infrequent in occurrence. The Town had no transactions that qualify as extraordinary or special items during the year.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the Town's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the Town had total deposits of \$345,893, of which \$290,216 were insured and \$55,677 were collateralized with securities held by the pledging institution's trust department or agent in the Town's name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the Town's own investment policies and procedures. Investments of the Town may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States 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
- Guaranteed investment contracts

At year-end the Town had investments in certificates of deposit.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note C - Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ <u>7,591</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note D - Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Accounts receivable	\$ 3,025	\$ 3,390	\$ 6,415
Property taxes receivable	10,747	-	10,747
Grants receivable	<u>-</u>	<u>434,527</u>	<u>434,527</u>
Total	<u>\$ 13,772</u>	<u>\$ 437,917</u>	<u>\$ 451,689</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Logan County bills and collects property taxes for all taxing entities within the county. The tax receipts collected by the county are remitted to the Town in the subsequent month.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being				
Depreciated:				
Land	\$ 10,173	\$ -	\$ -	\$ 10,173
Total capital assets, not being depreciated	10,173	-	-	10,173
Capital assets, being depreciated:				
Land improvements	3,414	13,500	-	16,914
Buildings	28,063	-	-	28,063
Equipment	26,420	-	-	26,420
Office equipment	<u>7,364</u>	<u>-</u>	<u>-</u>	<u>7,364</u>
Total capital assets, being depreciated	<u>65,261</u>	<u>13,500</u>	<u>-</u>	<u>78,761</u>
Total capital assets	75,434	13,500	-	88,934
Less accumulated depreciation for:				
Land improvements	(1,377)	(203)	-	(1,580)
Buildings	(5,399)	(533)	-	(5,932)
Equipment	(19,032)	(1,293)	-	(20,325)
Office equipment	<u>(7,365)</u>	<u>-</u>	<u>-</u>	<u>(7,365)</u>
Total accumulated depreciation	<u>(33,173)</u>	<u>(2,029)</u>	<u>-</u>	<u>(35,202)</u>
Governmental activities capital assets, net	<u>\$ 42,261</u>	<u>\$ 11,471</u>	<u>\$ -</u>	<u>\$ 53,732</u>

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note E – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 17,607	\$ -	\$ -	\$ 17,607
Construction in progress	<u>25,771</u>	<u>750,587</u>	<u>(653,911)</u>	<u>122,447</u>
Total capital assets, not being depreciated	43,378	750,587	(653,911)	140,054
Capital assets, being depreciated:				
Utility systems	<u>819,894</u>	<u>1,663</u>	<u>653,911</u>	<u>1,475,468</u>
Total capital assets, being depreciated	<u>819,894</u>	<u>1,663</u>	<u>653,911</u>	<u>1,475,468</u>
Total capital assets	863,272	752,250	-	1,615,522
Less accumulated depreciation for:				
Utility systems	<u>(480,078)</u>	<u>(19,454)</u>	<u>-</u>	<u>(499,532)</u>
Total accumulated depreciation	<u>(480,078)</u>	<u>(19,454)</u>	<u>-</u>	<u>(499,532)</u>
Business-type activities capital assets, net	<u>\$ 383,194</u>	<u>\$ 732,796</u>	<u>\$ -</u>	<u>\$ 1,115,990</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities		
General government		\$ 1,826
Culture and recreation		<u>203</u>
Total governmental activities		2,029
Business-type activities		
Water		15,488
Sewer		<u>3,966</u>
Total business-type activities		<u>19,454</u>
Total depreciation expense		<u>\$ 21,483</u>

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note F – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Due within</u> <u>one year</u>
Business-type Activities	\$ _____ -	\$ 400,000	\$ _____ -	\$ 400,000	\$ 400,000

The Town has entered into a \$400,000 note agreement with Highline Electric Association dated February 12, 2016, which was to be due in full at December 31, 2016. On January 1, 2017, Highline Electric Association agreed to extend the note until December 31, 2017, at which time all principal and accrued interest will be due in full. The note bears interest at a rate of 3.50 percent.

Note G – Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Settled claims resulting from any of the above risks have not exceeded the coverages provided. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H – Commitments and contingencies

Taxpayer’s Bill of Rights (TABOR)

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer’s Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate. In November 2003, the voters of the Town approved a ballot initiative permitting the Town to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note H - Commitments and contingencies (Continued)

TABOR is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of TABOR. However, the Town has made certain interpretations of TABOR's language in order to determine its compliance. The Town has reserved funds in the General Fund in the amount of \$1,200 for the emergency reserve.

Budget Law

Expenses in the Sewer Fund exceeded their appropriations by \$94,794, and may be in violation of Colorado Local Government Budget Laws. The Town amended its budgets for the Conservation Trust and Sewer Funds subsequent to year-end, which may be contrary to Colorado Local Government Budget Laws.

Note I - Wastewater Treatment Project

The Town is in the process of renovating its wastewater treatment system, with an anticipated cost of \$1,730,500, funded primarily through grants and loans. The Town anticipates the project will commence in 2017 and be completed in 2018.

Note J - Restatement of Beginning Balances

The Town had errors made in reporting certain receivables in the prior year. Accordingly, beginning balances have been restated as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Fund balance/net position at beginning of year, as originally reported	\$ 60,422	\$ 344,461	\$ 151,825
Changes in receivables	<u>1,799</u>	<u>(16,566)</u>	<u>(3,315)</u>
Fund balance/net position at beginning of year, as restated	<u>\$ 62,221</u>	<u>\$ 327,895</u>	<u>\$ 148,510</u>

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Required Supplementary Information

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund. The Town has one major special revenue fund.

- General Fund – The General Fund is the operating fund of the Town. It is used to account for most of the day-to-day operations of the Town which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the Town, except for activities of the enterprise funds.

- Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

TOWN OF ILIFF, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 19,836	\$ 19,836	\$ 18,580	\$ (1,256)
Licenses and fees	1,213	1,213		(1,213)
Intergovernmental revenue	15,739	15,739	14,584	(1,155)
Miscellaneous revenue	2,977	2,977	5,697	2,720
Total revenues	39,765	39,765	38,861	(904)
Expenditures				
Current				
General government	43,962	43,962	25,577	18,385
Public safety	10,677	10,677	12,377	(1,700)
Total expenditures	54,639	54,639	37,954	16,685
Net change in fund balance	<u>\$ (14,874)</u>	<u>\$ (14,874)</u>	907	<u>\$ 15,781</u>
Fund balance at beginning of year, as restated			<u>62,221</u>	
Fund balance at end of year			<u>\$ 63,128</u>	

TOWN OF ILIFF, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State lottery funds	\$ 3,308	\$ 3,308	\$ 2,932	\$ (376)
Interest on investments			22	22
Total revenues	3,308	3,308	2,954	(354)
Expenditures				
Culture and recreation				
Park maintenance		19,000	17,176	1,824
Contingency		6,000		6,000
Total expenditures	-	25,000	17,176	7,824
Net change in fund balance	\$ 3,308	\$ (21,692)	(14,222)	\$ 7,470
Fund balance at beginning of year			33,245	
Fund balance at end of year			\$ 19,023	

TOWN OF ILIFF, COLORADO
Notes to the Required Supplementary Information

Note A – Budgetary data

Annual budgets are established for all funds of the Town. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise funds (electric, water and sewer) in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

An appropriated budget for the entity as a whole is prepared on a detailed basis. Revenues are budgeted by source. Expenditures are budgeted by department and the major divisions thereof and by each independent office and agency and by the principal objects of expenditure. The legal level of control is considered to be the entity as a whole and expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by Town council. Within these control levels, management may transfer appropriations without Town council approval.

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

- On or before October 15, the Town Clerk submits to the Town board of trustees, a proposed budget for the following calendar year.
- A proposed budget is made available for public inspection, and public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the Town must adopt the budget by formal resolution and certify the mill levies to the County Commissioners.
- On or before December 31, the Town must enact a resolution making appropriations for the following calendar year.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – General Fund Revenues and Expenditures
- Budgetary Comparison Schedules – Enterprise Funds

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the Town not required to be accounted for in other funds. This fund represents an accounting of the Town's ordinary operations financed primarily from tax dollars and intergovernmental aid. It is the most significant fund in relation to the Town's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

TOWN OF ILIFF, COLORADO
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Local property taxes	\$ 10,932	\$ 10,932	\$ 10,912	\$ (20)
Specific ownership taxes	1,103	1,103	1,186	83
Delinquent taxes and interest	83	83	59	(24)
Franchise taxes	7,718	7,718	6,423	(1,295)
Total taxes	19,836	19,836	18,580	(1,256)
Licenses and fees	1,213	1,213		(1,213)
Intergovernmental revenues				
Highway users tax	12,128	12,128	12,159	31
Motor vehicle assessment	1,433	1,433	1,485	52
Road and bridge tax	1,103	1,103	736	(367)
Severance tax	551	551		(551)
Cigarette tax	83	83		(83)
Mineral lease	441	441	204	(237)
Total intergovernmental revenues	15,739	15,739	14,584	(1,155)
Miscellaneous revenues				
Tower rent	2,977	2,977	2,550	(427)
Miscellaneous			2,802	2,802
Interest on investments			345	345
Total miscellaneous revenues	2,977	2,977	5,697	2,720
Total revenues	\$ 39,765	\$ 39,765	\$ 38,861	\$ (904)

TOWN OF ILIFF, COLORADO
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Salaries	\$ 9,771	\$ 9,771	\$ 2,726	\$ 7,045
Payroll taxes	6,040	6,040	2,011	4,029
Office supplies	4,556	4,556	5,538	(982)
Professional services	11,246	11,246	3,221	8,025
Mileage and meals	1,492	1,492	592	900
Advertising and legal notices	418	418	95	323
Dues	422	422		422
Insurance and bonds	4,661	4,661	7,575	(2,914)
Public utility services	2,036	2,036	1,856	180
Repairs and maintenance			916	(916)
Treasurer's fees	238	238	234	4
Miscellaneous	2,482	2,482	813	1,669
Elections	600	600		600
Total general government	43,962	43,962	25,577	18,385
Public works				
Streets and highways				
Salaries			45	(45)
Street maintenance	8,940	8,940	10,461	(1,521)
Street lighting	1,737	1,737	1,451	286
Fuel and power			420	(420)
Total public works	10,677	10,677	12,377	(1,700)
Total expenditures	\$ 54,639	\$ 54,639	\$ 37,954	\$ 16,685

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Budgetary Comparison Schedules – Enterprise Funds

The Town reports the following major proprietary funds:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Water Fund – This fund was established to account for all operations of the water utility service provided by the Town.
- Sewer Fund – This fund was established to account for all operations of the sewer utility service provided by the Town.

TOWN OF ILIFF, COLORADO
Water Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 62,775	\$ 62,775	\$ 67,865	\$ 5,090
Operating expenses				
Salaries	14,571	14,571	4,518	10,053
Contract labor			4,361	(4,361)
Supplies	4,403	4,403	779	3,624
Repairs and maintenance	10,000	10,000	3,149	6,851
Utilities	4,830	4,830	10,197	(5,367)
Testing	1,092	1,092	216	876
Assessments	1,722	1,722	1,100	622
Dues			153	(153)
Miscellaneous			6	(6)
Capital purchases	826,364	826,364	640,802	185,562
Total operating expenses	862,982	862,982	665,281	197,701
Operating loss	(800,207)	(800,207)	(597,416)	202,791
Nonoperating revenues (expenses)				
Grants	426,364	426,364	647,421	221,057
Loan proceeds	400,000	400,000	400,000	-
Interest and fiscal charges			(15,126)	(15,126)
Total nonoperating revenues (expenses)	826,364	826,364	1,032,295	205,931
Change in net position	\$ 26,157	\$ 26,157	434,879	\$ (408,722)
Adjustments to GAAP Basis				
Add capital purchases			640,802	
Deduct loan proceeds			(400,000)	
Deduct depreciation			(15,488)	
Change in net position - GAAP Basis			660,193	
Net position at beginning of year, as restated			327,895	
Net position at end of year			\$ 988,088	

TOWN OF ILIFF, COLORADO
Sewer Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 66,825	\$ 66,825	\$ 36,532	\$ (30,293)
Operating expenses				
Salaries	17,471	17,471	5,156	12,315
Contract labor			16,863	(16,863)
Supplies	181	181	36	145
Repairs and maintenance	2,978	2,978	160	2,818
Testing	1,200	1,200	8,669	(7,469)
Utilities	941	941	727	214
Miscellaneous		12,229	1,736	10,493
Capital outlay		15,000	111,447	(96,447)
Total operating expenses	<u>22,771</u>	<u>50,000</u>	<u>144,794</u>	<u>(94,794)</u>
Operating income (loss)	44,054	16,825	(108,262)	(125,087)
Nonoperating revenues				
Grants			15,499	15,499
Change in net position	<u>\$ 44,054</u>	<u>\$ 16,825</u>	<u>(92,763)</u>	<u>\$ (109,588)</u>
Adjustments to GAAP Basis				
Add capital outlay			111,447	
Deduct depreciation			<u>(3,966)</u>	
Change in net position - GAAP Basis			14,718	
Net position at beginning of year, as restated			<u>148,510</u>	
Net position at end of year			<u>\$ 163,228</u>	

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**Colorado Department of Highways
Local Highway Finance Report**

This calendar-year report of receipts and expenditures is required by the Colorado Department of Highways to maintain Statewide accountability for moneys used for highway and street purposes. To ensure data accuracy, House Bill 1008 mandates that this report be included in the Town's financial statements.

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

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

This Information From The Records Of (example - City of _ or County of _) Town of Iliff Prepared By: Karen Batman
Phone: (970) 522-2283

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:	
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	5,768
3. Other local imposts (from page 2)	0	c. Other	903
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	6,671
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	6,671
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)	0	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	11,104	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	11,104	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)	6,671

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
	84,994	11,104	6,671	89,427	●

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		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other	
c. Total (a. + b.)	0	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	11,104	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forcst Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	11,104	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.I. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: