Town of Larkspur, Colorado

Financial Statements and Report
of
Independent Certified Public Accountants

December 31, 2016

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Table of Contents

Haynie &
Company

Certified Public Accountants (a professional corporation)
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Independent Auditor's Report

Honorable Mayor
and Members of the Town Council
Town of Larkspur, Colorado

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

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

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

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

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 Larkspur, 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 and budgetary comparison information, 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 Larkspur, Colorado's basic financial statements. The budgetary comparison schedule for the water and sewer fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the 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 July 20, 2017, on our consideration of the Town of Larkspur, 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 Town of Larkspur, Colorado's internal control over financial reporting and compliance.

Haynie & Co

Littleton, Colorado
July 20, 2017

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

Introduction

The management of the Town of Larkspur (Town) offers readers of the Town’s financial statements this narrative analysis of the Town’s financial activities, for the year ended December 31, 2016. Please read this Management’s Discussion and Analysis (MD&A) in conjunction with the Town’s 2016 audited financial statements and notes to the financial statements.

Financial Highlights

- Total assets exceeded liabilities by $4,459,000
- Total Net Position increased by $156,000
- Total cash increased by $803,000
- Sales, Use and Admission Tax increased by $42,700
- Governmental activities revenue increased by $55,200
- Governmental activities expenditures increased by $102,300
- Business-Type activities charges for services increased by $34,900
- Unassigned Fund Balance for the General Fund was $1,187,000 or 165% of total General Fund expenditures
- Total Debt decreased by $91,100

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the basic financial statements, which consist of three components:

1) Government-wide financial statements
2) Fund financial statements
3) Notes to financial statements

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government financial statements include information presented in different ways designed to meet multiple objectives of different users. This overview is intended to help readers of the financial statements understand how information is presented.

Financial reporting objectives for governments are much broader than those for business organizations. The primary users of governmental financial statements include taxpayers and citizens; oversight and legislative bodies; investors and creditors in addition to management.

Government financial statements include expanded information to meet a variety of financial reporting objectives and include different types of financial statements to meet these objectives.

The activities of government can broadly be grouped into two categories, each of which uses a different measurement focus and basis of accounting.

• **Governmental Funds**. Many of the services provided by government are not based on a fee to specific users, such as police services, recreation facilities or road maintenance. These types of activities are referred to as governmental activities. Accounting for these types of activities requires a different measurement focus and basis of accounting than fee-based services.

• **Proprietary Funds.** Some services of government are provided based on a fee to users that should cover the cost of providing the service. A common example is water and sewer services. These are referred to as business-type activities. Accounting for this category of activities is very similar to a business organization.

The MD&A serves as an introduction to the basic financial statements, which encompass four components:

1) Government-wide financial statements
2) Fund financial statements (a.) Governmental Funds (b.) Proprietary Funds
3) Notes to the financial statements
4) Supplementary information

The Town's basic financial statements are comprised of the following:

1. **Government-wide Financial Statements:** Provides a broad overview of the Town's entire finances, in a manner similar to a private sector business.

   - ***Statement of Net Position* -** Shows the Town's assets & liabilities, with the difference of the two reported as Net Position. Changes in Net Position, over time, may serve as an indicator of whether the financial position of the Town is improving or deteriorating.

   - ***Statement of Activities*** - Shows the Town's revenue & expenses, which results in changes to Net Position, for the 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Government-wide Financial Statements, the Town is divided into two kinds of activities:

Governmental Activities, includes most of the Town's basic services and general administration. Sales and use taxes, fees and licensing and admission taxes finance most of these activities. The governmental activities of the Town include general government, public works, recreation, and community development.

Business-type Activities, includes charges for services provided to residents, which cover most of the cost of the services it provides. The business-type of activities include water and sewer services.

2. **Fund Financial Statements:** Groups related accounts to maintain control over resources, which have been segregated, for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town uses Governmental and Proprietary funds.

- ***Governmental Funds*** **–** Used to account for essentially the same functions reported as *Governmental Activities (above*), in the Governmental Fund Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on *near-term inflows and outflows of spendable resources,* as well as, *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements. These financial statements show how general government services were paid for in the short term and what remains for future spending.

  In particular, *Fund Balance*, *whether restricted, assigned, committed or unassigned,* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

  The **required** financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. Only assets expected to be used and liabilities that come due during the year (or soon thereafter) are included. Capital assets are not included as assets. The measurement focus is on current financial resources and modified accrual accounting is used to report revenues and expenses.

  The focus of *Governmental Funds* is narrower than *Government-Wide Financial Statements.* Therefore, it is useful to compare the information presented for *Governmental Funds* with similar information presented for g*overnmental activities* in the *Government-Wide Financial Statements.* We provide a reconciliation to facilitate a comparison between *Governmental Funds* and g*overnmental activities.*

The Town maintains three Governmental Funds; General Fund, Road & Bridge Fund and CTF Fund. An annual appropriated budget is prepared for each fund.

- ***Proprietary Funds*** **–**Used to account for business-type activities.

  The Town maintains one type of Proprietary Fund, which is an Enterprise Fund. Proprietary Funds provide the same type of information as the Government-Wide Financial Statements, but include more detail. The Proprietary Fund Financial Statements provide separate information for Water & Sewer services. A budgetary comparison schedule has been provided for this fund as supplemental information, to demonstrate compliance with the budget.

  The **required** financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. All assets and liabilities, both financial and capital, long and short-term are provided. All revenues and expense are included regardless of when cash is received or paid.

3. **Notes to Financial Statements:** Provides additional information that is essential to fully understand the data provided in all financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

4. **Supplemental Information** that must be disclosed according to the *Governmental Accounting Standards Board* is included after the Notes to Financial Statements. This includes a budgetary comparison statement for all governmental funds, to demonstrate compliance with the budget.

   Other Supplemental Information is included, but not required, which is useful for a better understanding of the Town’s activities. This includes a budgetary comparison statement for the water and sewer fund to demonstrate compliance with the budget and a Local Highway Finance Report, which is prepared annually, to identify receipts and expenditures of local governments.

Government-wide Financial Analysis

Condensed Comparative Statements of Net Position

(000's omitted)

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	1,034.8	859.5	1,282.2	2,061.1	2,317.0	2,920.6
Capital assets - net	1,665.8	1,736.9	4,075.9	2,546.4	5,741.7	4,283.3
Other noncurrent assets	687.4	1,037.9	(687.4)	(836.4)	-	201.5
Total assets	3,388.0	3,634.3	4,670.7	3,771.1	8,058.7	7,405.4
Liabilities						
Current liabilities	172.5	383.1	74.2	73.9	246.7	457.0
Noncurrent liabilities	458.6	467.4	2,682.6	1,970.6	3,141.2	2,438.0
Total Liabilities	631.1	850.5	2,756.8	2,044.5	3,387.9	2,895.0
Deferred Inflow of Resources	114.8	121.5	96.6	85.1	211.4	206.6
Net Position						
Investment in capital assets	1,083.6	1,130.7	2,142.5	539.1	3,226.1	1,669.8
Restricted	78.5	63.9	152.3	346.8	230.8	410.7
Unrestricted	1,480.0	1,467.7	(477.6)	755.5	1,002.4	2,223.2
Total Net Position	2,642.1	2,662.3	1,817.2	1,641.4	4,459.3	4,303.7

A review of the Statement of Net Position may serve as an indicator of trend changes in governments' financial position.

At December 31, 2016, assets exceeded liabilities and deferred inflows by approximately $4.459 million as compared to approximately $4.304 million at December 31, 2015.

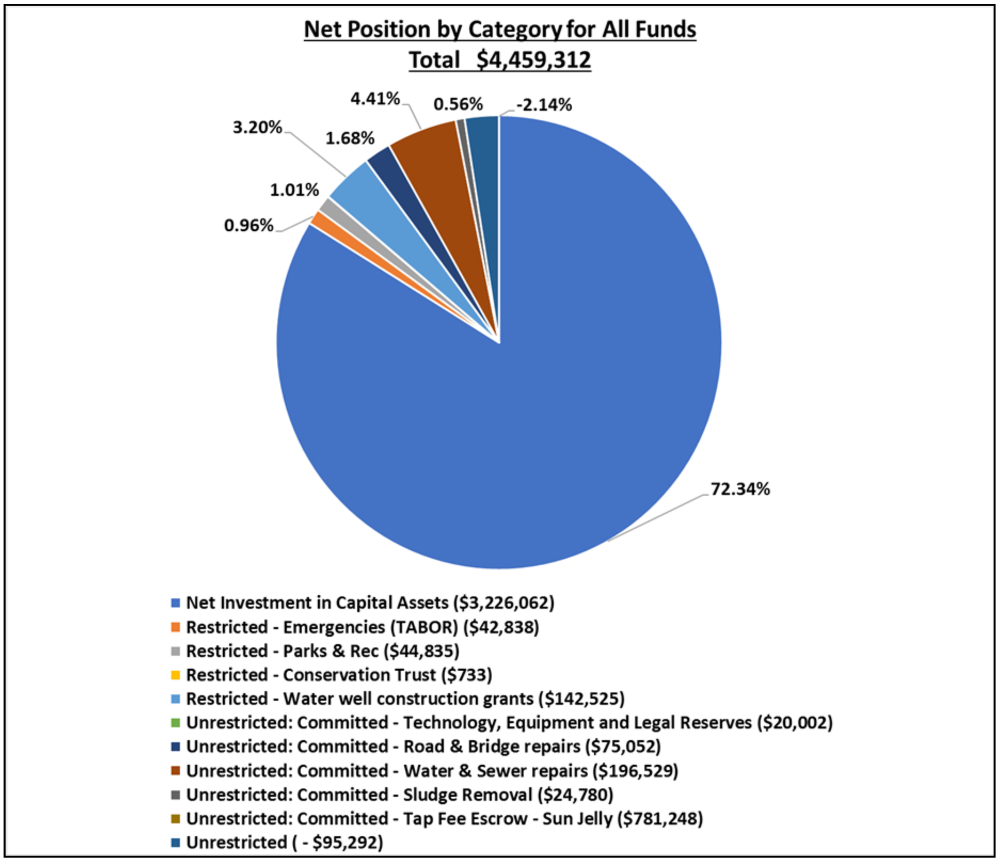
The Town's total net position at December 31, 2016, included net investment in capital assets of approximately $3.226 million. Of this amount, approximately 66.4% was invested in capital assets being utilized for water and wastewater activities. At December 31, 2015, the net investment in capital assets was approximately $1.670 million. Of this amount, approximately 32.3% was invested in capital assets being utilized for water and wastewater activities.

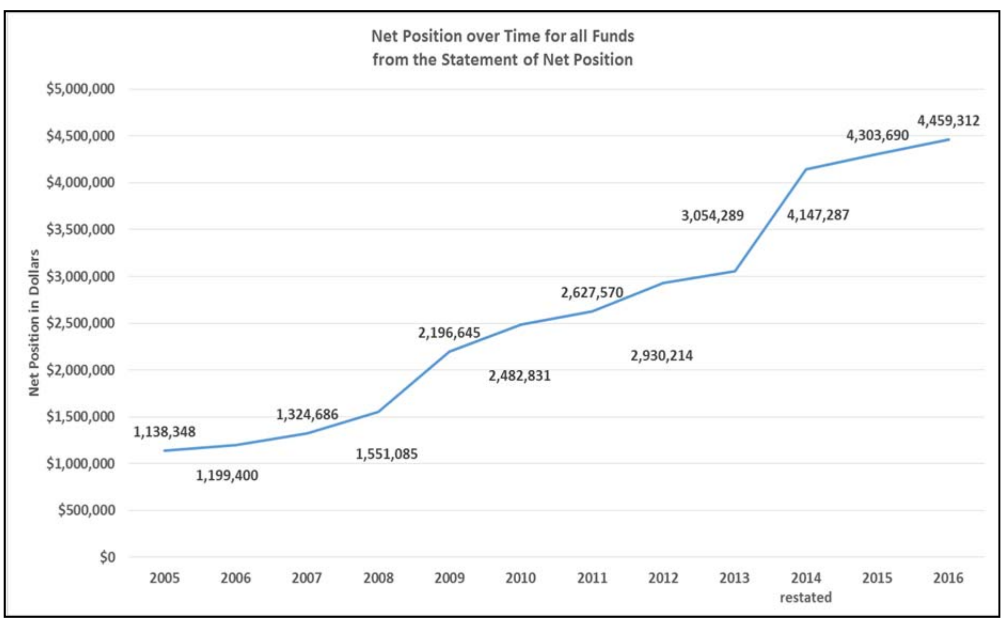
Unrestricted cash and cash equivalents at December 31, 2016, totaled approximated $2.1 million, an increase of approximately $803,000 over the unrestricted cash and cash equivalent balances at December 31, 2015.

At December 31, 2016, and December 31, 2015, restricted net position was approximately $219,400 and $410,700, respectively, and, at December 31, 2016 and December 31, 2015, unrestricted net position was approximately $1.014 million and $2.223 million, respectively.

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

The following two charts show how the Net Position for the Town, as a whole, is broken down and shows the growth pattern over the last eleven years.





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

Condensed Comparative Statements of Activities

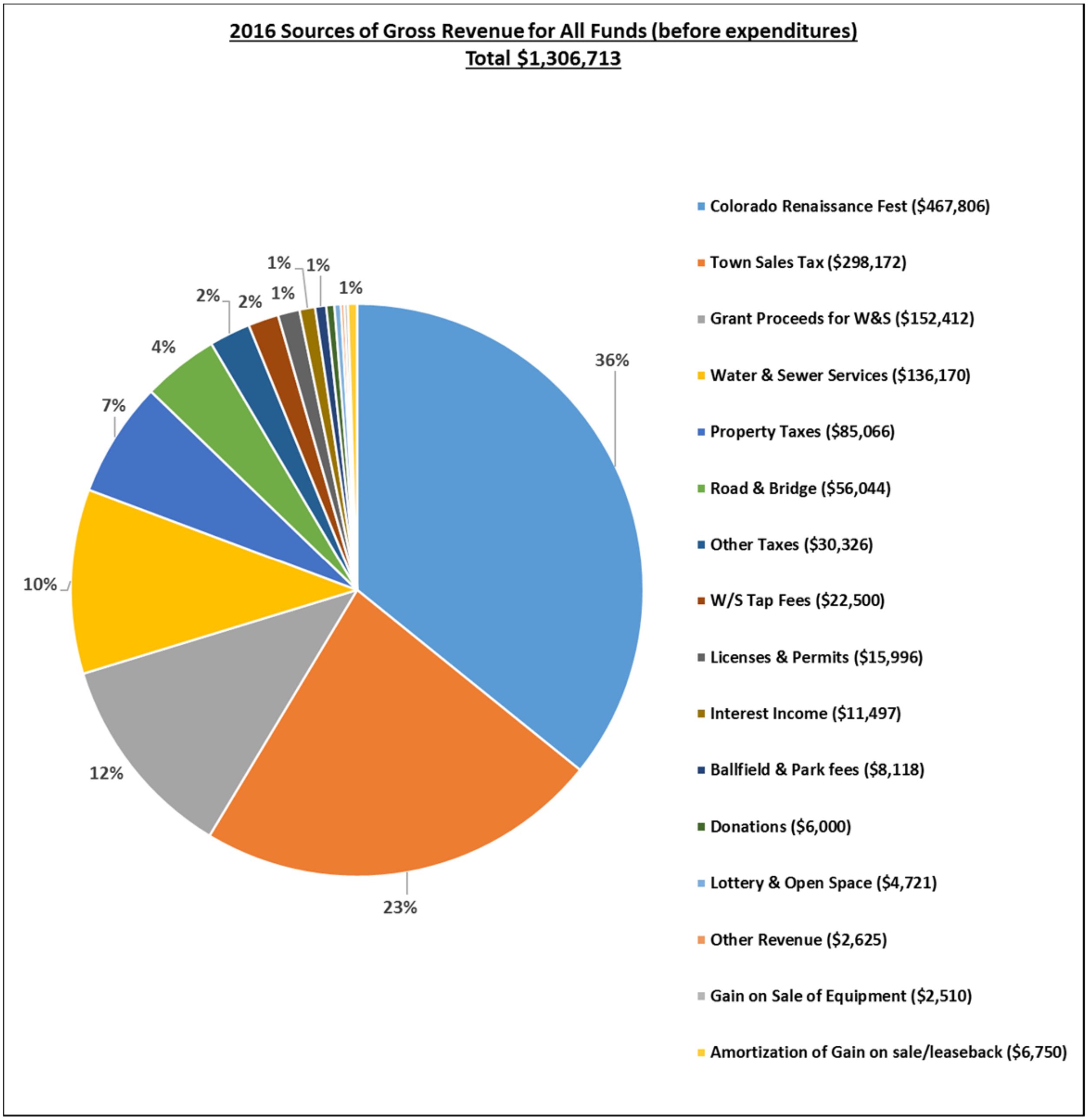
(000's omitted)

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue						
Program Revenue						
Charges for services	8.1	7.6	158.7	123.8	166.8	131.4
Capital grants and contributions	6.0	7.3	152.4	92.1	158.4	99.4
General Revenue						
Taxes	788.6	745.9	85.1	78.8	873.7	824.7
Licenses and permits	23.7	17.2	-	-	23.7	17.2
Intergovernmental	60.8	58.0	-	-	60.8	58.0
Gain on sale of capital assets	9.2	6.7	-	-	9.2	6.7
Interest and miscellaneous	13.2	11.7	0.8	0.7	14.0	12.4
Transfer in			30.0	80.0	30.0	80.0
Total Revenue	909.6	854.4	427.0	375.4	1,336.6	1,229.8
Expenses						
General government	606.0	426.2	-	-	606.0	426.2
Public safety	27.0	25.1	-	-	27.0	25.1
Public works	63.3	101.2	-	-	63.3	101.2
Parks & recreation	180.8	171.6	-	-	180.8	171.6
Water & sewer	-	-	251.2	245.8	251.2	245.8
Interest	22.7	23.4	-	-	22.7	23.4
Transfer out	30.0	80.0	-	-	30.0	80.0
Total Expenses	929.8	827.5	251.2	245.8	1,181.0	1,073.3
Change in Net Position	(20.2)	26.9	175.8	129.6	155.6	156.5
Net Position - Beginning of Year	2,662.3	2,635.4	1,641.4	1,511.8	4,303.7	4,147.2
Net Position - End of Year	2,642.1	2,662.3	1,817.2	1,641.4	4,459.3	4,303.8

The Town's net position increased in 2016 by approximately $155,600 or 4% to approximately $4.459 million. The increase resulted from governmental activities negative results of approximately ($20,200) plus the business-type activities positive results of approximately $175,800. The individual fund results included an interfund transfer of $30,000 from governmental activities to business-type activities (the Water and Sewer Fund).

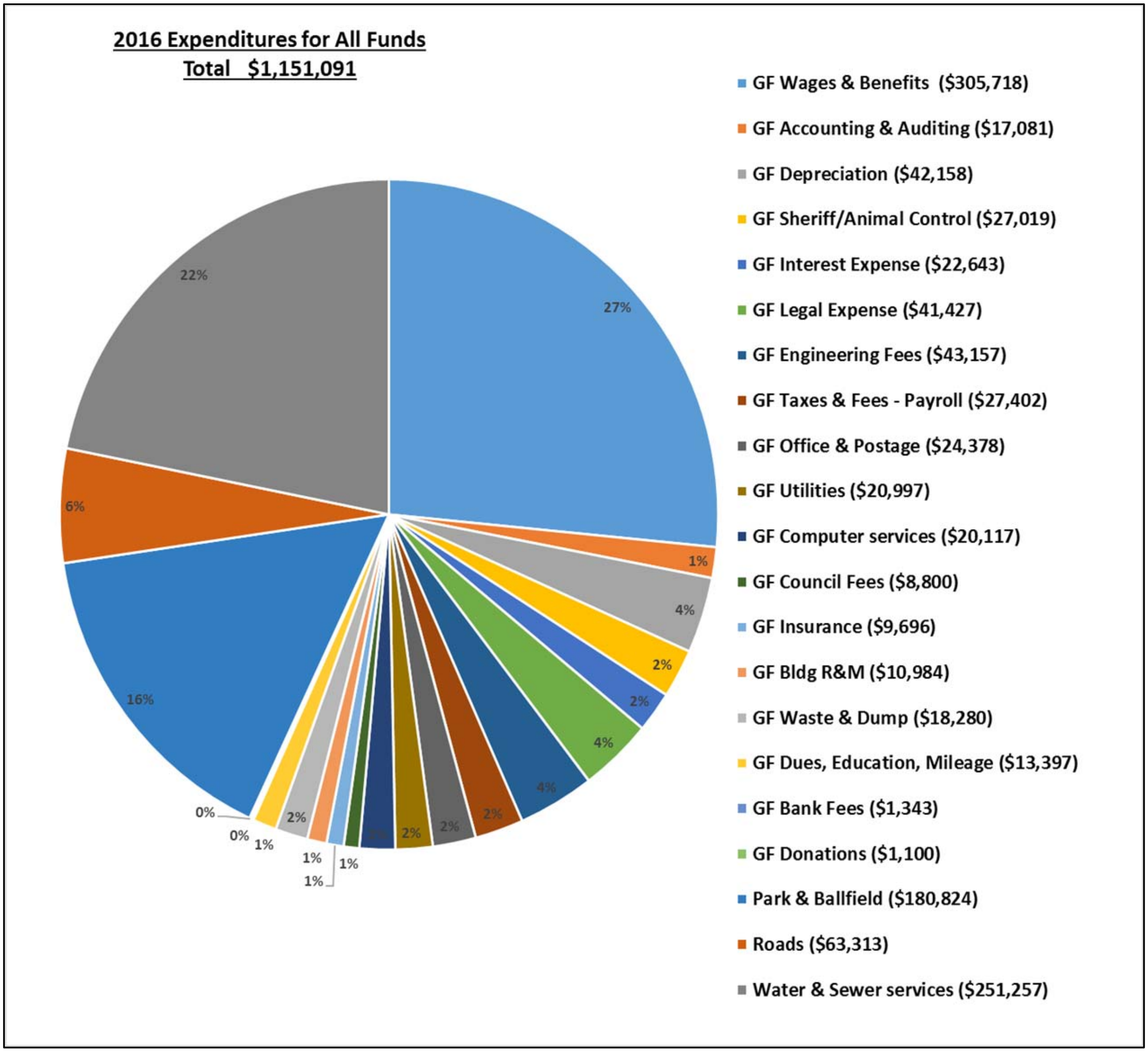
Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016

The following chart shows the revenue of all funds combined, by category, to see the total picture of the Town's income. The percentages show the relative contribution of each revenue type to the total revenue. It does not include inter-fund transfers as revenue.



For 2016, total revenues, exclusive of interfund transfers, increased by 14% when compared to 2015, to approximately $1.307 million. This change included the increase in grant and contribution revenue of $59,000.

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

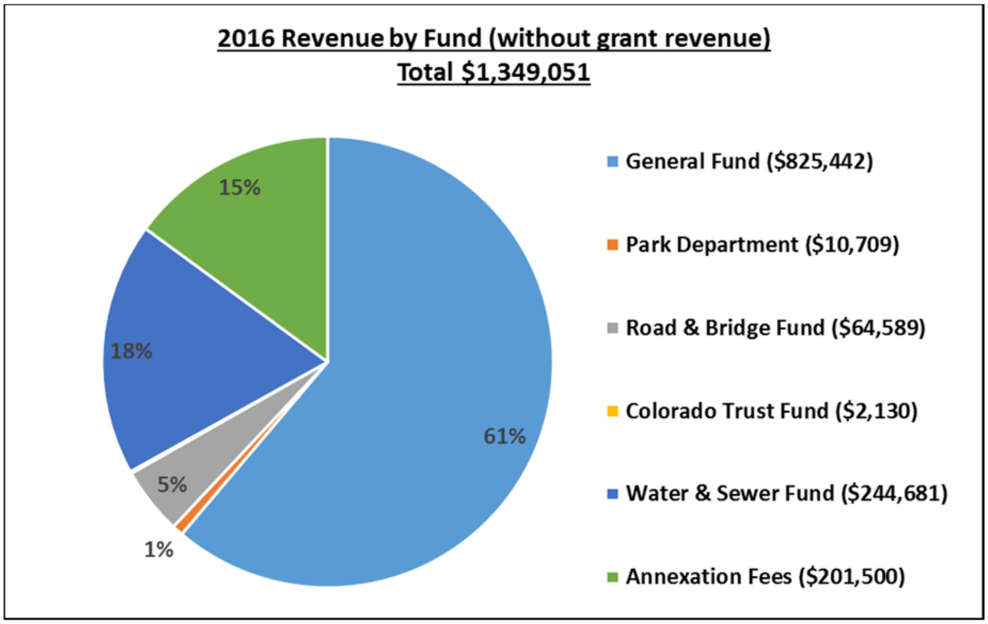


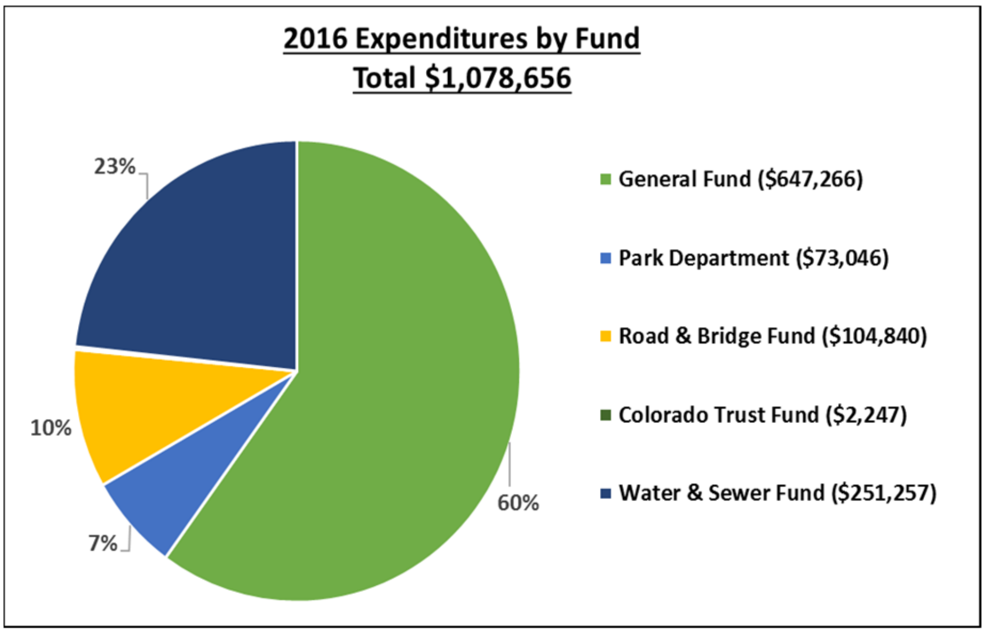
The chart above shows the expeditures of all funds combined, by category, to see a total picture of the Town's expenses. The percentages show the relative breakdown of each expenditure type to the total expenditures. Since this is a Government-Wide chart, it includes depreciation expense (systematic write-off of previously purchased major items), rather than the year's actual expenditure for the major item purchases.

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

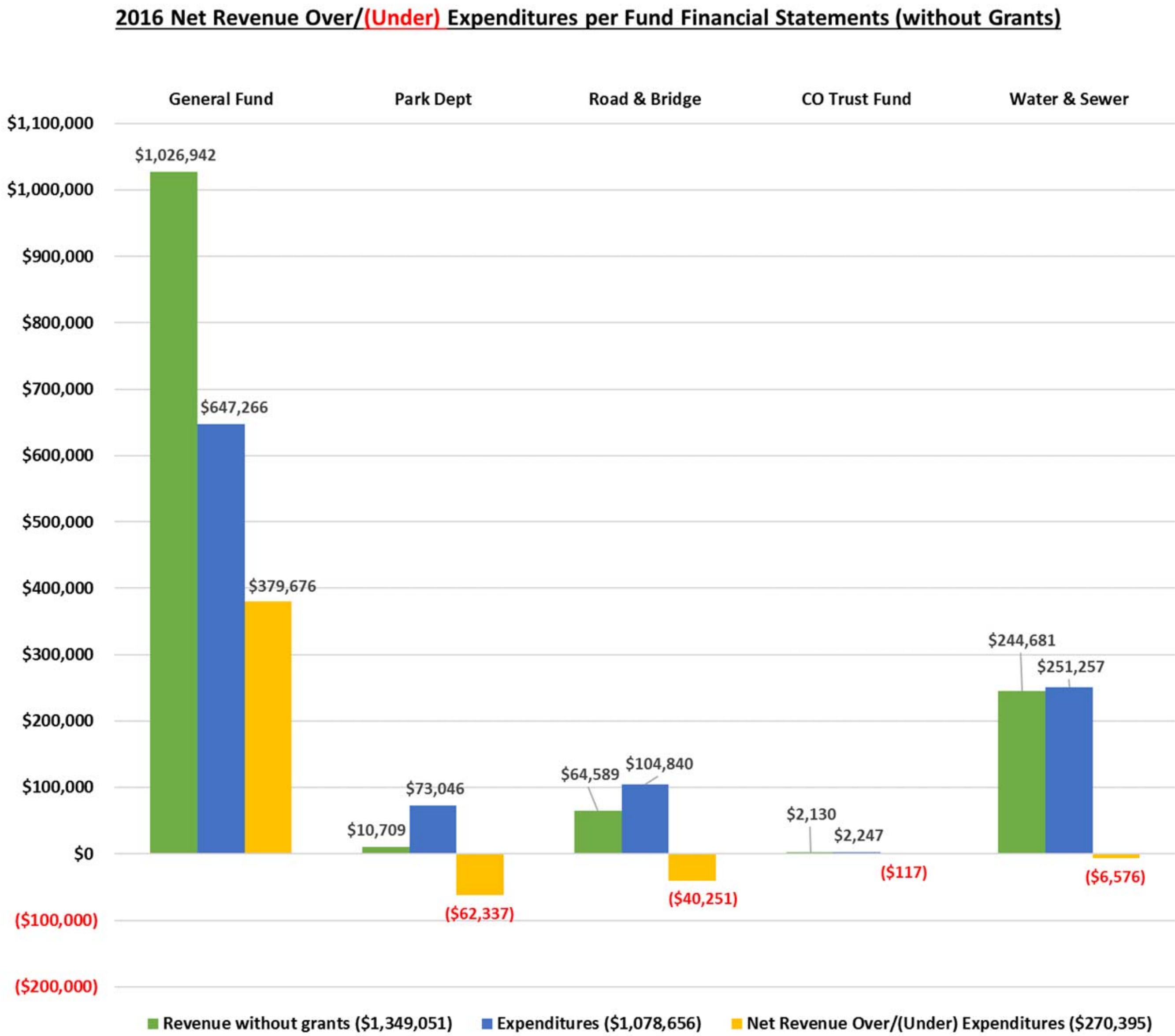
In 2016, total expenses, exclusive of interfund transfers, increased 13.7% compared to 2015 levels. This increase was primarily attributable to increased expenses for general government and parks & recreation activities. Specific changes can be identified by comparing the 2016 and 2015 operating expense detail in the above Condensed Comparative Statement of Activities.

The following two charts show breakdowns by Fund, to see the Revenues and Expenditures of each Fund, individually. The chart below does not include grant revenue of $152,412.





This last chart shows the profitability of each fund. The General Fund covers deficits in the other Funds. They do not generate enough revenue to cover expenditures.



Capital Assets

The Town's investment in capital assets, net of depreciation, at December 31, 2016, was approximately $5.742 million, consisting of general government capital assets of approximately $1.666 million and water and sewer fund (business-type activities) of approximately $4.076 million. During 2016, there were general government capital asset additions of approximately $106,999 primarily for vehicles, building improvements and roads. (See Note 6 of the Notes to Financial Statements). There was approximately $1,682,225 of capital expenditure during 2016 for water and sewer activities. For comparison, at December 31, 2015, the Town's investment in capital assets, net of depreciation, was approximately $4.283 million, consisting of governmental capital assets of approximately $1.737 million and business-type activities capital assets of approximately $2.546 million.

Details of the Town's capital assets and capital asset activity for 2016 are found in Note 6 of the Notes to Financial Statements.

The Town's budgeted capital outlay expenditures for 2016 total approximately $2.8 million. Of this amount $2.6 million is budgeted for Water and Sewer fund improvements; $128,000 is budgeted for General Fund; $50,000 is budgeted for the Road and Bridge Fund. The Water and Sewer budgeted infrastructure expenditures are intended to be funded with grants and borrowings; the Road and Bridge Fund amount is intended to be funded with appropriations from the General Fund; and the budgeted capital outlay in the General Fund is intended to be financed with grants. Additional details can be obtained by contacting the Town.

Long-term Obligations

As of December 31, 2016, the Town had long-term obligations totaling approximately $2.4 million, which includes $92,000 of principal due in 2017. This total obligation represents approximately $1.9 million for the Water and Sewer Fund and approximately $467,000 for the Town Hall lease. Details of the 2016 financing activities and these obligations are included in Note 8 of the Notes to Financial Statements.

Budgetary Discussion

Budgetary comparison schedules are included in the accompanying, audited, financial statements. The line item details of amendments to the adopted 2016 budgets are identified in the budgetary comparison schedules included.

Economic Factors and the 2017 Budget

As discussed in Note 10 of the Notes to Financial Statements, the Town has a dependency for revenues derived from the Colorado Renaissance Festival (CRF). The 2017 budget provides for an approximate 13% increase in revenue derived from the CRF.

The 2017 budgets provide for an approximate 57% decrease in revenue over the actual 2016 results, due mainly to reduced grant revenue related to the new well. The 2017 budgets provide for an approximate 48% decrease in expenditures over the actual 2016 results, due mainly to reduced capital outlay related to the new well.

Readers are encouraged to review the 2017 budgets for more detail. Copies of the Town's annual, adopted budgets are available upon request.

Requests for Information

This financial report of the Town of Larkspur, Colorado, is designed to provide a general overview of the Town's finances for those with an interest in the Town's financial activities and financial position. Questions concerning information provided in this report and the audit report or requests for additional information should be addressed to Mayor Gerry Been at the Town Hall, 8720 Spruce Mountain Road, P.O. Box 310, Larkspur, Colorado 80118.

Government-Wide Financial Statements

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

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Current Assets:			
Cash and cash equivalents - restricted	$ 195	$ -	$ 195
Cash and cash equivalents - unrestricted	888,495	1,161,607	2,050,102
Taxes receivable	135,619	96,678	232,297
Prepaid expenses	6,488	-	6,488
Accounts receivable	-	13,240	13,240
Other receivables	3,988	10,719	14,707
Total Current Assets	1,034,785	1,282,244	2,317,029
Non-Current Assets:			
Internal balances	687,399	(687,399)	-
Capital assets			
Nondepreciable	446,247	3,654,756	4,101,003
Depreciable	2,562,928	2,176,120	4,739,048
Accumulated depreciation	(1,343,368)	(1,755,018)	(3,098,386)
Total Capital Assets	1,665,807	4,075,858	5,741,665
Total Non-Current Assets	2,353,206	3,388,459	5,741,665
TOTAL ASSETS	3,387,991	4,670,703	8,058,694
LIABILITIES			
Current Liabilities:			
Accounts payable	135,780	-	135,780
Accrued expenses	6,556	-	6,556
Current portion of accrued compensated absences	9,281	-	9,281
Current portion of long-term debt	18,095	74,163	92,258
Unearned revenues	2,800	-	2,800
Total Current Liabilities	172,512	74,163	246,675
Non-Current Liabilities:			
Accrued sludge removal cost	-	42,205	42,205
Tap fee deposits	-	781,200	781,200
Long-term portion of accrued compensated absences	9,280	-	9,280
Long-term debt, net	449,362	1,859,233	2,308,595
Total Non-Current Liabilities	458,642	2,682,638	3,141,280
TOTAL LIABILITIES	631,153	2,756,801	3,387,954
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources - gain on building sale/leaseback	114,750	-	114,750
Deferred revenue - property taxes	-	96,678	96,678
TOTAL DEFERRED INFLOW OF RESOURCES	114,750	96,678	211,428
NET POSITION			
Net Investment in Capital Assets	1,083,600	2,142,462	3,226,062
Restricted			
Emergencies	32,992	9,846	42,838
Parks and recreation	44,835	-	44,835
Conservation trust fund	733	-	733
Water well construction grants	-	142,525	142,525
Unrestricted	1,479,928	(477,609)	1,002,319
TOTAL NET POSITION	$ 2,642,088	$ 1,817,224	$ 4,459,312

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

Town of Larkspur, Colorado
Statement of Activities
For the Year Ended December 31, 2016

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET REVENUE (EXPENSE) AND CHANGES IN NET POSITION — PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	$ 606,035	$ -	$ -	$ (606,035)	$ -	$ (606,035)
Public safety	27,019	-	-	(27,019)	-	(27,019)
Public works	63,313	-	6,000	(57,313)	-	(57,313)
Parks and recreation	180,824	8,118	-	(172,706)	-	(172,706)
Interest expense	22,643	-	-	(22,643)	-	(22,643)
Total Governmental Activities	899,834	8,118	6,000	(885,716)	-	(885,716)
Business-Type Activities:						
Water and sewer	251,257	158,670	152,412	-	59,825	59,825
Total Business-Type Activities	251,257	158,670	152,412	-	59,825	59,825
Total Primary Government	$ 1,151,091	$ 166,788	$ 158,412	$ (885,716)	$ 59,825	$ (825,891)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues			
Taxes			
Property taxes	$ -	$ 85,066	$ 85,066
General sales and use taxes	582,342	-	582,342
Admissions & miscellaneous taxes	206,251	-	206,251
Licenses and permits	23,709	-	23,709
Intergovernmental	60,765	-	60,765
Interest income	10,712	785	11,497
Gain on sale of capital assets	9,260	-	9,260
Miscellaneous	2,463	160	2,623
Transfers	(30,000)	30,000	-
Total General Revenues	865,502	116,011	981,513
Change in Net Position	(20,214)	175,836	155,622
Net Position Beginning	2,662,302	1,641,388	4,303,690
Net Position Ending	$ 2,642,088	$ 1,817,224	$ 4,459,312

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

Fund Financial Statements

Town of Larkspur, Colorado

Governmental Funds
Balance Sheet
December 31, 2016

ASSETS Assets:	GENERAL FUND	ROAD & BRIDGE FUND	CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents - restricted	$ -	$ -	$ 195	$ 195
Cash and cash equivalents - unrestricted	813,443	75,052	-	888,495
Taxes receivable	132,212	3,407	-	135,619
Prepaid expenses	3,488	3,000	-	6,488
Due from other funds	534,690	152,171	538	687,399
Other receivables	3,988	-	-	3,988
Total Assets	1,487,821	233,630	733	1,722,184
LIABILITIES				
Accounts payable	135,780	-	-	135,780
Accrued expenses	6,556	-	-	6,556
Unearned revenues	2,800	-	-	2,800
Total Liabilities	145,136	-	-	145,136
Fund Balances				
Nonspendable	3,488	3,000	-	6,488
Restricted for				
Parks and recreation	44,835	-	-	44,835
Conservation trust fund	-	-	733	733
Emergencies	31,130	1,862	-	32,992
Committed	20,002	75,052	-	95,054
Assigned	70,000	153,716	-	223,716
Unassigned	1,173,230	-	-	1,173,230
Total Fund Balances	1,342,685	233,630	733	1,577,048
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,487,821	$ 233,630	$ 733	$ 1,722,184

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

Town of Larkspur, Colorado
Reconciliation of Total Governmental Fund Balances
to the Statement of Net Position
December 31, 2016

Total Governmental Fund Balances	$ 1,577,048
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	
Total capital assets	3,009,175
Accumulated depreciation	(1,343,368)
The gain on a sale leaseback transaction is recorded as a deferred inflow of resources and recognized in a systematic and rational manner over the lease term.	
Deferred gain on sale leaseback transaction	(121,500)
Current-year recognition of gain on sale leaseback	6,750
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds	
Long-term debt	(467,456)
Accrued compensated absences	(18,561)
Net Position of Governmental Activities	$ 2,642,088

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

Town of Larkspur, Colorado

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

	General Fund	Road and Bridge Fund	Conservation Trust Fund	Total Governmental Funds
REVENUES:				
Taxes	$ 788,593	$ -	$ -	$ 788,593
Annexation fee	201,500	-	-	201,500
Licenses and permits	23,709		-	23,709
Intergovernmental revenues	2,591	56,044	2,130	60,765
Interest	10,677	35	-	10,712
Parks and recreation revenues	8,118	-	-	8,118
Grant and in-kind revenues	-	6,000	-	6,000
Gain on sale of asset	-	2,510		2,510
Miscellaneous revenues	2,463	-	-	2,463
TOTAL REVENUES	1,037,651	64,589	2,130	1,104,370
EXPENDITURES:				
Current:				
General government	545,316	-	-	545,316
Public safety	27,019	-	-	27,019
Public works	-	32,931	-	32,931
Capital expenditures	35,090	71,909	-	106,999
Parks and recreation expenses	73,046	-	2,247	75,293
Debt Service				
Principal repayment	17,198	-	-	17,198
Interest expense	22,643	-	-	22,643
TOTAL EXPENDITURES	720,312	104,840	2,247	827,399
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	317,339	(40,251)	(117)	276,971
OTHER FINANCING				
Operating Transfer In (Out)	(55,000)	25,000	-	(30,000)
NET CHANGE IN FUND BALANCE	262,339	(15,251)	(117)	246,971
FUND BALANCES, BEGINNING OF YEAR	1,080,346	248,881	850	1,330,077
FUND BALANCES, END OF YEAR	$ 1,342,685	$ 233,630	$ 733	$ 1,577,048

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

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

Net Change In Fund Balance - Governmental Funds	$ 246,971
Governmental funds reported capital outlays as expenditures. However, in the statement of activitities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	106,999
Depreciation expense	(178,071)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.	17,198
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported in the fund financials.	
Increase in compensated absences	(18,561)
Recognition of deferred inflows of resources in the current year:	
Annexation fee recognized in fund financials when received	(201,500)
Amortization of deferred inflow of resources on sale-leaseback	6,750
Change in net position of governmental activities	$ (20,214)

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

Town of Larkspur, Colorado
Proprietary Fund
Statement of Net Position
December 31, 2016

	Water And Sewer
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,161,607
Accounts receivable, net of allowance of $400	13,240
Other receivables	10,719
Property taxes receivable	96,678
Total Current Assets	1,282,244
Non-Current Assets:	
Capital Assets:	
Nondepreciable	3,654,756
Depreciable	2,176,120
Accumulated depreciation	(1,755,018)
Total Non-Current Assets	4,075,858
TOTAL ASSETS	5,358,102
LIABILITIES	
Current Liabilities:	
Notes payable - due in one year	74,163
Total Current Liabilities	74,163
Non-Current Liabilities:	
Due to other funds	687,399
Installment loan payable	1,859,233
Tap Fee Deposits	781,200
Accrued sludge removal cost	42,205
Total Non-Current Liabilities	3,370,037
TOTAL LIABILITIES	3,444,200
Deferred Inflows of Resources	
Unearned property tax revenue	96,678
NET POSITION	
Net investment in capital assets	2,142,462
Restricted	152,371
Unrestricted	(477,609)
TOTAL NET POSITION	$ 1,817,224

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

Town of Larkspur, Colorado

Proprietary Fund

Statement of Revenues, Expenditures and Changes in Fund Net Position

For the Year Ended December 31, 2016

	Water And Sewer
OPERATING REVENUES	
Charges for services	$ 158,670
Total Operating Revenues	158,670
OPERATING EXPENSES	
Professional services	86,267
Depreciation and amortization	61,662
Utilities	39,344
Maintenance and repairs	45,699
Supplies	2,845
Personnel services	2,410
Miscellaneous	1,516
Testing	9,273
Total Operating Expenses	249,016
Income (Loss) From Operations	(90,346)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	85,066
Capital grants and contributions	152,412
Interest income	785
Miscellaneous	160
Interest Expense	(2,241)
Total Non-Operating Revenues (Expenses)	236,182
Net Income Before Contributions and Transfers	
Transfers In (Out)	30,000
CHANGE IN NET POSITION	175,836
NET POSITION, BEGINNING OF YEAR	1,641,388
NET POSITION, END OF YEAR	$ 1,817,224

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

Town of Larkspur, Colorado

Proprietary Fund
Statement of Cash Flows
For the Year Ended December 31, 2016

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 944,429
Cash payment for salaries and benefits	(2,410)
Cash payment for goods and services	(93,815)
Net Cash From Operating Activities	848,204
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash transferred from other funds	30,000
Cash transferred on interfund loans	(144,038)
Cash received from taxes	85,140
Other	160
Net Cash From Non-Capital Financing Activities	(28,738)
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Interest paid on installment loan payable	(2,241)
Payments of installment loan payable	(73,942)
Purchases of capital assets	(1,682,225)
Proceeds from capital grants and other contributions	1,579,094
Net Cash From Capital and Financing Activities	(179,314)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	785
Net Cash From Investing Activities	785
Net Change in Cash and Cash Equivalents	640,937
CASH AND CASH EQUIVALENTS	
Beginning of Year	520,670
End of Year	$ 1,161,607
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities	
Net Operating Income (Loss)	$ (90,346)
Adjustments to reconcile loss from operations to net cash used in operating activities	
Depreciation and amortization	61,662
Changes in assets and liabilities	
Change in accounts receivable	4,559
Change in accrued liabilities	5,000
Transfer of CIP to fixed assets	86,129
Change in tap fee deposits	781,200
Net Cash From Operating Activities	$ 848,204

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

1. Definition of Reporting Entity

The Town of Larkspur, Colorado (the Town), is incorporated under Colorado statutes to provide public safety, highways and streets, water service, health and social services, culture and recreation, public health improvements, planning and zoning and general administrative services. The Town is located in Douglas County and operates under a Mayor-Council form of government.

An elected Mayor and Town Council are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The Town's major operations include road maintenance, water service, culture and recreation.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

In accordance with governmental accounting standards, the Town has considered the possibility of inclusion of additional entities in its general purpose financial statements. The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it. The Town has determined that there are no includible entities for the year ended December 31, 2016.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide and Fund Financial Statements

The Statement of Net Position presents the financial condition of the Town, as a whole, at year end. The Statement of Activities presents a comparison between program expenses and the program revenues for each program or function of the Town. Program expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable

2. Summary of Significant Accounting Policies (continued)

to a particular program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds.

Fund Accounting

The accounts of the Town are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The categories of funds used by the Town are governmental and proprietary.

Governmental funds are those through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's governmental funds:

General Fund - The General Fund is the operating fund for the Town and is used to account for all financial resources except those required to be accounted for in another fund.

Road And Bridge Fund - This special revenue fund accounts for all proceeds that are restricted to expenditures for repairs and improvements to roads and bridges.

Conservation Trust Fund - This special revenue fund accounts for all lottery proceeds received by the Town that are restricted to expenditures for parks and recreation.

2. Summary of Significant Accounting Policies (continued)

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The Town's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Water And Sewer Fund - This enterprise fund is used to account for the revenues generated from the charges for distribution of water service and sanitary sewer service provided to the residential and commercial users of the Town.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

2. Summary of Significant Accounting Policies (continued)

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units. The Town complies with GAAP and applies all relevant GASB pronouncements.

Revenues

Revenues resulting from exchange transactions, in which each party gives and receives essentially the same value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, typically within 60 days of realization.

Nonexchange transactions, in which the Town receives value without directly giving value in return, include property taxes, annexation fees, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from nonexchange transactions must also be available, typically within 60 days, before it can be recognized.

Deferred Inflows Of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The Town has unearned property tax revenue and other revenue and a deferred gain on a sale-leaseback transaction. These items are reported as deferred inflows on the government-wide and proprietary fund statements of net position.

The governmental funds also report deferred inflows of resources in addition to liabilities. The item, Annexation fee revenue, was reported in the governmental funds balance sheetas a deferred inflow of resources in the prior year. This revenue has been recognized as an inflow of resources on the fund statement of revenues, expenditures and changes in fund balance in the current year as the funds have become available in the current year.

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 fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

2. Summary of Significant Accounting Policies (continued)

Cash And Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as liquid investments with original maturity dates of one year or less.

Interfund Receivables And Payables

On fund financial statements, short-term amounts owed between funds are classified as due to/from other funds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in other 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 funds.

All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Town maintains a capitalization policy of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20-30 years
Equipment	7-20 years
Vehicles	7 years
Roads	10 years
Reservoir, plant and lines	10-45 years
Park facilities	7-30 years

Bond Discounts And Issuance Costs

In governmental funds, bond discounts are recognized in the current period. Bond discounts for proprietary fund types and for all activities on the government-wide financial statements are amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond issuance costs are recognized in the current period in the government-wide and fund financial statements.

2. Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacations are accrued according to GAAP. Employees are allowed to accumulate vacation and sick pay. Up to 1 week (40 hours) of vacation may be earned in the first year of employment. After 1 year of employment, an employee may earn an additional week (40 hours) of vacation. Up to 30 days of vacation and sick pay may be accumulated. Sick pay will not be paid at termination. The Town's resolutions provide additional guidance.

Accrued Liabilities And Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Long-term leases are recognized as a liability on the governmental fund financial statements when due.

Fund Equity/Fund Balance

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted - The component of net position that does not meet the definition above.

2. Summary of Significant Accounting Policies (continued)

In the governmental funds, fund balances should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

- ***Restricted fund balance*** **–** The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- ***Committed fund balance*** **–** The portion of fund balance that can only be used for specified purposes according to limitations imposed by the Town Council prior to the end of the current fiscal year. The constraint may be imposed, removed or changed only by resolution of the Town Council.
- ***Assigned fund balance*** – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. The intended use may be expressed by the Town Council or other individuals authorized to assign funds to be used for a specific purpose. In governmental funds, assigned fund balance represents the amount that is not nonspendable, restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purpose of that fund. The Town Council has designated the Mayor as the individual authorized to assign funds.
- ***Unassigned fund balance*** **–** The residual portion of fund balance that does not meet any of the criteria described above. The Town will only report a positive unassigned balance in the General Fund.

In the Town's fund balance policy, it is not specifically identified in which order the spending should occur. Therefore, the Town takes the position that the order of spending defaults to restricted, committed, assigned and unassigned fund balance.

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.

2. Summary of Significant Accounting Policies (continued)

Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

Property Taxes

Property taxes are not due and payable until after the assessment year has ended and are not included in the budget or statement of revenues, expenditures and changes in fund balance of the assessment year. Property taxes are initially recorded as deferred inflows of resources in the year they are levied. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. Douglas County bills and collects its own property taxes and the taxes for various other entities, including for the Town.

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 charges for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Capital Contributions

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap fees or from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

3. Cash and Cash Equivalents

Deposits with Financial Institutions

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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The Town does not have a formal deposit policy but does follow state statutes. The Federal Depository Insurance Corporation (FDIC) insures balances up to $250,000 per depositor. At December 31, 2016, the Town had $1,096,137 in excess of the FDIC coverage level.

At December 31, 2016, the Town's cash deposits had the following book and bank balances:

Type	Rating	Book Balance	Bank Balance
Deposits			
Petty cash	Not rated	$ 250	$ -
Checking accounts	Not rated	205,825	202,508
Savings	Not rated	1,195,549	1,143,824
Investment pools	AAAm	648,673	713,673
Total Cash and Cash Equivalents		$ 2,050,297	$ 2,060,005

Investments

The Town generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Town is not subject to concentration risk disclosure requirements or to investment custodial credit risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Town Council. Such actions are generally associated with a debt service reserve or sinking fund requirements.

3. Cash and Cash Equivalents (continued)

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

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

* Local government investment pools

Designated Cash

As of December 31, 2016, the following cash balances have been designated for the following purposes:

Peoples Bank Restricted for CTF	$ 195
Peoples Bank Reserved for Technology (1)	5,000
Peoples Bank Reserved for Equipment (1)	5,002
Peoples Bank Reserved for Legal (1)	10,000
COLOTRUST Reserved for Sludge Removal (1)	24,780
Peoples Bank Reserved for Road & Bridge Repairs (1)	75,052
Peoples Bank Restricted for Water Well Construction Grants (2)	142,525
Peoples Bank Reserved for Water System & Tap Repairs (1)	196,529
Peoples Bank Escrow for Sun Jelly Tap Fee Deposits (1)	781,248
	$1,240,331

COLOTRUST

The Town invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase

3. Cash and Cash Equivalents (continued)

agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's
internal records segregate investments owned by the Trust. The Trust is rated AAAm by Standard & Poor's.

4. Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

5. Interfund Transfers

The following schedule summarizes the Town's interfund transfers for the year ended December 31, 2016:

	Transfers In	Transfers out
General Fund	$ -	$ 55,000
Road and Bridge Fund	25,000	-
Water and Sewer Fund	30,000	-
	$ 55,000	$ 55,000

Transfers are used to subsidize activities accounted for in other funds and to finance projects accounted for in other funds in accordance with budgetary authorizations.

6. Capital Assets

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

	Balance December 31, 2015	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 441,532	$ -	$ -	$ 441,532
Construction in progress	-	4,715	-	4,715
Total capital assets, not being depreciated	441,532	4,715	-	446,247
Capital assets, being depreciated:				
Building and improvements	405,635	28,447	-	434,082
Roads	751,632	67,195	-	818,827
Vehicles and equipment	154,930	6,642	(15,000)	146,572
Park facilities and equipment	1,113,937	-	-	1,113,937
Office equipment	49,510	-	-	49,510
Total capital assets, being depreciated	2,475,644	102,284	(15,000)	2,562,928
Less accumulated depreciation for:				
Buildings and improvements	(35,530)	(18,619)	-	(54,149)
Roads	(533,697)	(30,382)	-	(564,079)
Vehicles and equipment	(49,601)	(17,271)	15,000	(51,872)
Park facilities and equipment	(521,494)	(105,531)	-	(627,025)
Office equipment	(39,975)	(6,268)	-	(46,243)
Total accumulated depreciation	(1,180,297)	(178,071)	15,000	(1,343,368)
Total capital assets, being depreciated, net	1,295,347	(75,787)	-	1,219,560
Capital assets, net	$ 1,736,879	$ (71,072)	$ -	$ 1,665,807

6. Capital Assets (continued)

	Balance December 31, 2015	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2016
Business-Type Activities				
Capital assets, not being depreciated:				
Construction in progress	$ 1,988,660	$ 1,591,096	$ -	$ 3,579,756
Land	75,000	-	-	75,000
Total capital assets, not being depreciated	2,063,660	1,591,096	-	3,654,756
Capital assets, being depreciated:				
Wastewater collection	337,144	-	-	337,144
Wastewater treatment	192,050	-	-	192,050
Water treatment	815,795	-	-	815,795
Water distribution	831,131	-	-	831,131
Total capital assets, being depreciated	2,176,120	-	-	2,176,120
Less accumulated depreciation for:				
Wastewater collection	(275,508)	(9,202)	-	(284,710)
Wastewater treatment	(176,069)	(3,553)	-	(179,622)
Water treatment	(706,845)	(12,200)	-	(719,045)
Water distribution	(534,934)	(36,707)	-	(571,641)
Total accumulated depreciation	(1,693,356)	(61,662)	-	(1,755,018)
Total capital assets, being depreciated, net	482,764	-	-	421,102
Capital assets, net	$ 2,546,424	$ -	$ -	$ 4,075,858

6. Capital Assets (continued)

Governmental activities depreciation expense by function:

General government	$ 42,158
Public works	105,531
Parks and recreation	30,382
	$ 178,071

Business-type activities depreciation expense by function:

Water and Sewer	$ 61,662

7. Interfund Receivables and Payables

At December 31, 2016, the Town's interfund receivables and payables consisted of the following:

	Receivables	Payables
General Fund	$ 534,690	$ -
Conservation Trust	538	-
Road and Bridge Fund	152,171	-
Water and Sewer Fund	-	687,399
	$ 687,399	$ 687,399

The interfund balances resulted from current and prior transfers that were used to subsidize activities accounted for in other funds and to finance projects accounted for in other funds in accordance with budgetary authorizations. The interfund balances are not scheduled to be collected in the subsequent year.

8. Long-Term Obligations

The following is a schedule of changes in long-term obligations of the Town during 2016:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016	Amounts Due Within One Year
Governmental Activities					
New Town Hall lease	$ 484,654	$ -	$ (17,198)	$ 467,456	$ 18,095
Compensated absences	16,659	$ 10,361	$ (8,459)	$ 18,561	$ 9,281
Business-Type Activities					
Water loan	74,005	-	(7,276)	66,729	7,496
Colorado water resource loan	1,933,333	-	(66,666)	1,866,667	66,667
Total	$ 2,508,651	$ 10,361	$ (99,599)	$ 2,419,413	$ 101,539

The details of the Town's long-term obligations are as follows:

The Town accrues a liability for compensated absences on the statement of net position only since the amount payable is not anticipated to be paid with available resources. The liability for compensated absences will be paid from the General Fund.

Capital Lease Obligation

In 2014, the Town entered into a lease agreement as lessee for financing the acquisition of a new town hall. The initial lease is for a 1-year term renewable in 1-year increments for 20 years. The interest rate on the lease is 4.67% per annum through February 1,2019, then adjusting annually on each February 2 thereafter to an interest rate equal to the 5-year Treasury rate plus 3.32% at a floor rate of 4% and at a maximum rate of 10%. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the fair value of the leased properties based upon real estate valuations obtained. The capital assets and related accumulated depreciation of the leased property is $515,000 and $25,468, respectively.

8. Long-Term Obligations (continued)

The Town’s future minimum lease obligations will mature as follows (calculated at the current interest rate of 4.67%):

	Principal	Interest	Total
2017	18,095	21,743	39,838
2018	18,971	20,867	39,838
2019	19,889	19,949	39,838
2020	20,796	19,042	39,838
2021	21,503	18,334	39,837
2022-2026	124,518	74,671	199,189
2027-2031	158,420	40,769	199,189
2032-2034	85,264	4,913	90,177
	$ 467,456	$ 220,288	$ 687,744

Water System Installment Contract Payments

By contract with the Colorado Water Conservation Board (the Board), the Town received $219,000 of construction loan proceeds to build part of the water system. At completion of the project in 1984, the Town transferred title to 50% of the system to the Board, and the Town began payments to repurchase the 50% interest over a 40- year period. This transaction has been recorded as an installment loan of $219,000, with interest added annually to equal the total payments to be made under the installment purchase contract.

The $219,000 Colorado Water Conservation Board installment contract, dated September 15, 1983, is payable over 40 years in equal annual payments of $9,517, with principal and interest calculated at 3.028%, due annually on December 15.

Drinking Water Revolving Fund Direct Loan

By contract with the Colorado Water Resources and Power Development Authority, the Town received $2,000,000 of loan proceeds and $847,920 in principal forgiveness to drill a new well, construct a new water storage tank, expand a pump station and replace an existing pump, iron and manganese removal system and pressure reducing valve.

The Drinking Water Revolving Fund Direct Loan contract was executed on January 17, 2014 and is payable over 30 years in equal interest-free semiannual payments of $33,333 due May 1st and November 1st.

The Town's long-term obligations of the business-type activities will mature as follows:

8. Long-Term Obligations (continued)

	Principal	Interest	Total
2017	74,163	2,020	76,183
2018	74,391	1,793	76,184
2019	74,625	1,560	76,185
2020	74,866	1,319	76,185
2021	75,113	1,070	76,183
2022-2026	360,239	1,646	361,885
2027-2031	333,333	-	333,333
2032-2036	333,333	-	333,333
2037-2041	333,333	-	333,333
2042-2044	200,000	-	200,000
	$1,933,396	$ 9,408	$1,942,804

Authorized Debt

On November 6, 2012, a majority of the qualified electors of the Town authorized the issuance of indebtedness in an amount not to exceed $2,970,000, for the construction of a new water supply system.

9. Tax, Spending, Revenue and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2016, the Town has reserved $42,838 for emergencies.

9. Tax, Spending, Revenue and Debt Limitations (continued)

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

10. Commitments, Contingencies and Economic Dependency

For 2016, the Town derived approximately 58% of its gross tax revenues from sales taxes, admissions taxes and business licenses and permits from the Colorado Renaissance Festival (CRF). These taxes and licenses are used to provide the Town with general services and may be used to support the Town's utility funds. On July 16, 2015, the Town Council approved an amendment to the agreement with the CRF extending the agreement through 2025 with three three-year renewal options.

The Town has entered into an agreement for services to be performed on the Town's water treatment plants, sewage treatment plants, water distribution and wastewater collection systems including wells, chlorinators, tanks and facilities. The Town has agreed to pay $70,800 at a rate of $5,900 per month for services provided to the Town starting January 1, 2017 through December 31, 2017.

On April 22, 2015, the Town entered into an agreement to purchase land owned by the American Federation of Human Rights (AFHR) for $45,000. The Town will construct a water line on this easement. In addition, the Town entered into a five-year lease agreement with AFHR for land to use as an equipment and storage location. The lease calls for annual payments of $6,000 on the last day of April.

11. Risk Management

The Town is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past three years.

Town of Larkspur, Colorado

Required Supplementary Information

Town of Larkspur, Colorado

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes	$ 795,602	$ 795,602	$ 788,593	$ (7,009)
Annexation fee	-	-	201,500	201,500
Intergovernmental revenue	-	-	2,591	2,591
Licenses and permits	20,100	20,100	23,709	3,609
Interest	650	650	10,677	10,027
Parks and recreation revenue	16,500	16,500	8,118	(8,382)
Miscellaneous revenue	4,575	4,575	2,463	(2,112)
TOTAL REVENUES	837,427	837,427	1,037,651	200,224
EXPENDITURES				
General government	579,162	615,162	545,316	69,846
Capital expenditures	127,622	42,500	35,090	7,410
Public safety	27,000	27,000	27,019	(19)
Parks and recreation expenses	54,015	54,015	73,046	(19,031)
Debt service	-	-	39,841	(39,841)
TOTAL EXPENDITURES	787,799	738,677	720,312	18,365
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	(165,000)	(140,000)	(55,000)	85,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(115,372)	(41,250)	262,339	
FUND BALANCES, BEGINNING OF YEAR			1,080,346	
FUND BALANCES, END OF YEAR			$ 1,342,685	

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

Town of Larkspur, Colorado

Road and Bridge Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Intergovernmental revenue	37,000	37,000	56,044	19,044
Grant revenue	6,000	6,000	6,000	-
Gain on sale of asset	-	-	2,510	2,510
Licenses and permits	-	-	-	-
Interest	15	15	35	20
Miscellaneous revenue	-	-	-	-
Total Revenues	43,015	43,015	64,589	21,574
EXPENDITURES:				
Public works	75,300	75,300	32,931	42,369
Capital expenditures	50,000	50,000	71,909	(21,909)
Total Expenditures	125,300	125,300	104,840	20,460
DEFICIENCY OF REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(82,285)	(82,285)	(40,251)	42,034
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	85,000	70,000	25,000	(45,000)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 2,715	$ (12,285)	(15,251)	$ (2,966)
FUND BALANCE, BEGINNING OF YEAR			248,881	
FUND BALANCE, END OF YEAR			$ 233,630	

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

Town of Larkspur, Colorado

Conservation Trust Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental - State	$ 2,000	$ 2,000	$ 2,130	$ 130
Interest	1	1	-	(1)
Total Revenues	2,001	2,001	2,130	129
EXPENDITURES:				
General Government	2,000	2,000	2,247	(247)
Total Expenditures	2,000	2,000	2,247	(247)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 1	$ 1	(117)	$ (118)
FUND BALANCE, BEGINNING OF YEAR			850	
FUND BALANCE, END OF YEAR			$ 733	

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

Town of Larkspur, Colorado
Notes to Budgetary Comparison Schedules
December 31, 2016

1. **Budgets and Budgetary Accounting**

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

a. Prior to September 1, the Town obtains budget requests from department heads.

b. Prior to October 15, the proposed budget is submitted to Town Council by the Mayor.

c. By December 15, the Town must certify the levy to the County Commissioners.

d. A Public Hearing is held to obtain taxpayer comments.

e. By December 15, the Town Council enacts a resolution appropriating the budget.

f. Department heads are required to submit budget change requests to the Town Council after initial approval.

g. Supplemental requests are gathered by the Town Council. The Town Council will hold formal public hearings prior to approving the increased budget and appropriations.

2. **Basis of Accounting**

The budget is prepared using generally accepted accounting principles

3. **Expenditures in Excess of Appropriations**

The Conservation Trust Fund expenditures were in excess of appropriations, which may be in violation of state statutes.

Town of Larkspur, Colorado

Other Supplementary Information

Town of Larkspur, Colorado

WATER AND SEWER FUND

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Charges for services	$ 141,725	$ 141,725	$ 158,670	$ 16,945
TOTAL REVENUES	141,725	141,725	158,670	16,945
EXPENDITURES				
Professional services	93,000	73,000	86,267	(13,267)
Supplies	2,750	2,750	2,845	(95)
Personnel services	3,138	3,138	2,410	728
Maintenance and repairs	37,615	30,615	45,699	(15,084)
Utilities	37,674	37,674	39,344	(1,670)
Capital outlay	2,622,401	1,575,401	1,591,096	(15,695)
Miscellaneous	-	-	1,516	(1,516)
Testing	27,150	27,150	9,273	17,877
TOTAL EXPENDITURES	2,823,728	1,749,728	1,778,450	(28,722)
DEFICIENCY OF REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(2,682,003)	(1,608,003)	(1,619,780)	(11,777)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	85,322	85,322	85,066	(256)
Capital grants and contributions	2,433,490	1,544,490	152,412	(1,392,078)
Interest income	310	310	785	475
Miscellaneous	-	-	160	160
Operating transfers in (out)	80,000	70,000	30,000	(40,000)
Debt service				-
Principal	(73,943)	(73,943)	(73,942)	1
Interest	(2,241)	(2,241)	(2,241)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,522,938	1,623,938	192,240	(1,431,698)
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES (BUDGET BASIS)	(159,065)	15,935	(1,427,540)	(1,443,475)
RECONCILIATION FROM BUDGETARY BASIS TO GAAP BASIS				
Debt principal payments			73,942	
Capital outlay			1,591,096	
Depreciation and amortization			(61,662)	
NET POSITION, BEGINNING OF YEAR			1,641,388	
NET POSITION, END OF YEAR			$ 1,817,224	

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

Town of Larkspur
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Program or Cluster Title	***Federal CFDA Number***	***Pass-through Grantor and Number***	***Federal Expenditures($)***
Other Programs			
United States Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds			
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468	Colorado Department of Public Health and Environment,D14F320	$ 1,055,510
Total Capitalization Grants for Drinking Water State Revolving Funds			1,055,510
Total United States Environmental Protection Agency			1,055,510
Total Other Programs			1,055,510
Total Expenditures of Federal Awards			$ 1,055,510

The accompanying notes are an integral part of this schedule

Haynie & Company
Certified Public Accountants (a professional corporation)
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

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

Honorable Mayor
and Members of the Town Council
Town of Larkspur, Colorado

We have audited the financial statements of Town of Larkspur, Colorado as of and for the year ended December 31, 2016, and have issued our report thereon July 20, 2017. 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.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Larkspur, Colorado'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Haynie & Co

Littleton, Colorado
July 20, 2017

Haynie & Company
Certified Public Accountants (a professional corporation)
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE

Honorable Mayor
and Members of the Town Council
Town of Larkspur, Colorado

Report on Compliance for Each Major Federal Program

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

Management's Responsibility for Compliance

Compliance with the requirements referred to above is the responsibility of Town of Larkspur, Colorado's management.

Auditor's Responsibility

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

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

Opinion

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

Internal Control Over Compliance

Management of Town of Larkspur, Colorado is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Town of Larkspur, Colorado's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Larkspur, Colorado's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Haynie & Co

Littleton, Colorado
July 20, 2017

Schedule of Findings and Questioned Costs for the Year Ended December 31, 2016

1. Summary of Auditor's Results

Type of report issued on the financial statements:	**Unmodified**
Material weaknesses in financial reporting internal control noted:	**None**
Significant deficiency(s) identified that are not considered to be material weaknesses in financial reporting:	**None**
Material noncompliance noted:	**None**
Material weaknesses in internal control over major programs:	**None**
Significant deficiency(s) identified that are not considered to be material weaknesses over major programs:	**None**
Type of report issued on compliance for major programs:	**Unmodified**
Audit findings required to be reported:	**None**

The following programs are considered to be major:

Colorado Water Resources and Power Development AuthorityCapitalization Grants for Drinking Water State Revolving Funds — CFDA 66.468

Dollar threshold used to distinguish Type A and Type B programs:	**$750,000**
Risk type qualification:	**Not low-risk**

2. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None

3. Findings and questioned costs for Federal Awards

None

4. Summary Schedule of Prior Audit Findings

None

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

Financial Planning 02/01
Form # 350-050-36

City or County:	Town of Larkspur
YEAR ENDING :	December 2016

LOCAL HIGHWAY FINANCE REPORT

This Information From The Records Of Town of Larkspur

Prepared By:	Michelle Wagner, Controller
Phone:	303-681-2324

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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	25,000
3. Other local imposts (from page 2)	45,738
4. Miscellaneous local receipts (from page 2)	2,545
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	73,283
B. Private Contributions	
C. Receipts from State government (from page 2)	10,306
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	83,589

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	67,195
2. Maintenance:	20,606
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	6,325
c. Other	
d. Total (a. through c.)	6,325
4. General administration & miscellaneous	
5. Highway law enforcement and safety	
6. Total (1 through 5)	94,126
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
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)	94,126

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
	83,589	94,126		(10,537)

Notes and Comments: