

City of Brush, Colorado

Financial Statements

For the Year ended December 31, 2016



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INTRODUCTORY SECTION

August 18, 2017

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Brush.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lauer, Szabo & Associates, PC, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Brush’s financial statements for the year ended December 31, 2016. The independent auditors report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Brush, incorporated in 1884, is located in northeastern Colorado, 90 miles from Denver. Brush is located in a large agricultural area and serves a population of 5,410. The City of Brush is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which the City has done from time to time, and to collect sales tax. The current sales tax rate is 4 percent.

The City of Brush operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government’s administrator, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three members elected every two years. The mayor is elected for a four-year term and is elected at large; constituents of their wards elect the remaining Council members.

The City of Brush provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. Water, trash, waste water, and storm water services are provided and functions as enterprise funds of the City of Brush and therefore has been included as an integral part of the City of Brush’s financial statements. Additional information on all of these departments can be found in the notes to the financial statements (See Note 1.C).

The Council is required to adopt a final budget by no later than December 15th of each fiscal year. This annual budget serves as the foundation for the City of Brush's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department, (e.g., police).

Local economy

Brush! is nestled in the agriculturally rich South Platte River Valley. In 1886 a number of Danish families formed a settlement, attracted to the rich and loam soil. Today bountiful crops of corn, soy, sugar beets and wheat still prevail. Although Brush remains agriculturally based, ag support industries, energy production and health care have helped diversify and strengthen our economy. Major employers include Colorado Energy Management and the adjacent tomato factory linked by waste heat from the cogeneration plant, Eben Ezer and Sunset Manor care facilities, East Morgan County Hospital, the School District and City government. The population growth is at a manageable rate of 2-3%. The City continues to partner with developers to extend infrastructure conducive to designed growth.

City parks have expanded over the last few years with the addition of Prairie Trails and Watrous parks. The most recent update to the parks was in 2014 for a newly constructed Skate Park.

Of utmost concern is water. Future development is dependent upon ample and quality water. For water rights and augmentation purposes the City is seeking additional augmentation and water sources. The appointed Water Advisory Committee, utilizing the City's Raw Water Master Plan and Water Infrastructure Master Plan are essential in developing and managing Brush's most valuable natural resource. The City is also working on a feasibility study on a reverse osmosis system to treat other water sources for the City.

Skilled labor is readily available, especially due to the close proximity of Morgan Community College and Northeastern Junior College as well as the availability of long distance learning with Colorado universities.

Retail is not as prominent as the City of Brush would like as sales tax drives our General Fund. The 2015 sales tax revenues increased by \$28,702 (2%) from the prior year. City sales tax for 2016 increased \$17,535 (1%). Sales tax revenues have seen steady growth over the last three years and there are still signs of economic growth in other areas. In 2016 Love's Travel Stops & Country Stores submitted building plans for a future Love's truck stop and subdivided the property into 4 lots for future commercial growth next to the interstate.

For years the local golf course has been owned and operated by a private organization. In 2015 the organization approached the City asking the city to purchase the golf course. After some deliberation the City purchased the golf course and with the help from Joslin Needham, a local foundation, is in the process of restoring the facility. Improvements to the facility have been ongoing since it was purchased.

Long-term financial planning

The Council has set a budgetary and planning policy guideline to have enough cash reserves set aside at the end of each fiscal year to cover three to six months of expenditures for emergency purposes. When possible the targeted cash reserves are six months.

To better improve the City of Brush's downtown business area, the Council is currently working with the local Chamber of Commerce on a Main Street project which will improve the current storm drainage for the downtown businesses. The cost of this project would be approximately 1.5 million dollars. In 2006, thru a joint effort between the Chamber of Commerce and the City of Brush, a ballot issue was passed to increase sales tax by .6% for future street improvements throughout the City. These funds go into the Capital Improvement Fund and are utilized for street related projects only.

The new sales tax increase went into effect January 1, 2007. Citizens witnessed numerous improvements to streets and money is being reserved for future street improvements.

The City continues to see rising cost in the purchase of fire trucks and other equipment for the fire department. The current fire building needs to be expanded as well. In 2014 the City was able to pass a sales tax ballot issue specific to the fire department for the purchase of equipment and building improvements effective January 1, 2015. In 2016 the City and the Brush Rural Fire Protection District began seeking grant funding for the improvement and future expansion of the apparatus bays at the fire station.

Major initiatives

The City of Brush recognizes the need for additional water supplies and at the same time understands the value of water conservation. The City purchased additional water shares in 2016. Water rates were increased in 2016 and will increase over the next 3 years by the Denver/Boulder CPI.

Acknowledgements

The preparation of this report would not have been possible without the dedicated service of the finance department. Credit must also be given to the Mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Brush's finances.

Respectfully submitted,

Monty Torres
City Administrator

Joanne Gosselink
Finance Officer

City of Brush
List of Elected and Appointed Officials
December 31, 2016

Elected Officials

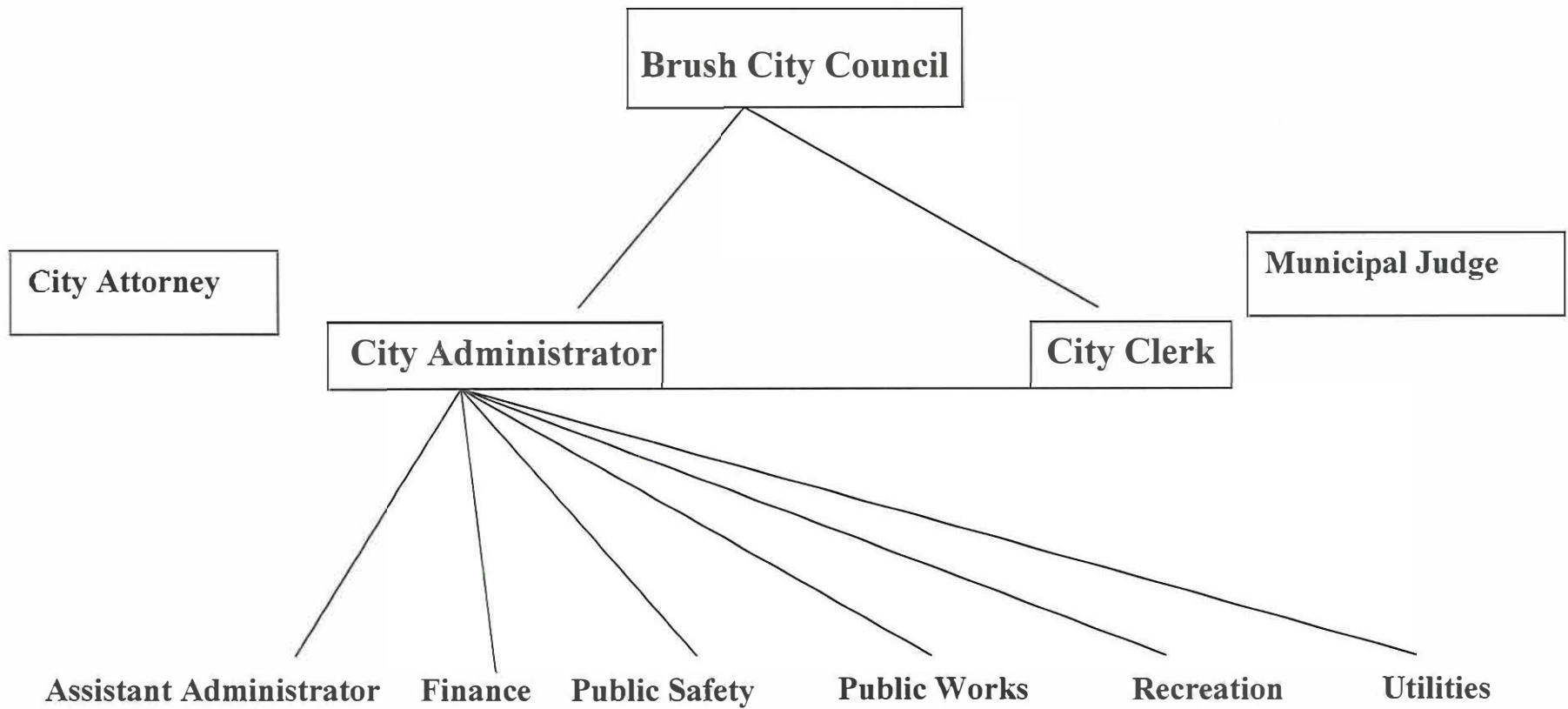
Mayor	Charles Schonberger
Council Member - Ward 1	Marlene Baker
Council Member - Ward 1	Rick Bain
Council Member - Ward 2	Victoria Quinlin
Council Member - Ward 2	Kim Dykes
Council Member - Ward 3	Jeanine Anderson
Council Member - Ward 3	Heath Becker

Appointed Officials

City Administrator	Monty Torres
Assistant Administrator	Karen Schminke
City Clerk	Andrea Strand
Finance Director	Joanne Gosselink
Fire Chief	Tad Anderson
Parks and Recreation Director	Lance Schwindt
Police Chief	Travis Anderson
Public Works/Utilities Director	Dale Colerick

Functional Organizational Chart

Citizens of Brush!



FINANCIAL SECTION



Independent Auditors' Report

To the Honorable Mayor and Members of City Council
City of Brush
Brush, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information and the local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
August 18, 2017

Management's Discussion and Analysis

As management of the City of Brush, we offer readers of the City of Brush financial statements this narrative overview and analysis of the financial activities of the City of Brush for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Brush exceeded its liabilities at the close of the most recent fiscal year by \$26,530,045. Of this amount, \$4,881,920 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Brush's governmental funds reported combined ending fund balances of \$3,998,145 a decrease of \$54,865 in comparison with the prior year. Of this amount \$2,517,026 is available for spending at the government's discretion (unassigned, assigned and committed fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,041,566 or 21 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Brush's basic financial statements. The City of Brush's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Brush that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Brush include general government, public safety, streets, economic development, parks, and culture and recreation. The business-type activities of the City of Brush include water, trash and garbage, waste water, storm water operations and the golf course.

The government-wide financial statements have no component units reported in them. These financial statements can be found on pages 17-19 of this report.

Condensed financial statements for government wide statements are as follows:

City of Brush Net Position

	Governmental activities		Business-type activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	4,692,797	4,785,948	3,540,746	3,731,565	8,233,542	8,517,513
Net pension asset	1,725	93,757			1,725	93,757
Capital assets-net of accumulated depreciation	5,735,945	5,683,450	21,950,169	20,099,586	27,686,114	25,783,036
Total assets	10,430,467	10,563,155	25,490,915	23,831,151	35,921,381	34,394,306
Deferred outflow of resources						
Pension deferrals	222,226	70,894			222,226	70,894
Long-term liabilities						
outstanding	428,799	407,319	7,340,748	7,782,593	7,769,547	8,189,912
Other liabilities	70,693	88,522	1,139,056	653,591	1,209,749	742,113
Total liabilities	499,492	495,841	8,479,804	8,436,184	8,979,296	8,932,025
Deferred inflow of resources						
Pension deferrals	10,307	11,314			10,307	11,314
Deferred tax revenue	623,959	644,416			623,959	644,416
Total Deferred Inflows	634,266	655,730			634,266	655,730
Net investment in						
Capital assets	5,735,945	5,683,450	14,251,774	11,957,086	19,987,719	17,640,536
Restricted	1,428,014	1,485,257	232,392	228,409	1,660,406	1,713,666
Unrestricted	2,354,976	2,313,771	2,526,944	3,209,472	4,881,920	5,523,243
Total net position	9,518,935	9,482,478	17,011,111	15,394,967	26,530,045	24,877,445

City of Brush Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	\$ 666,126	\$ 678,058	\$ 3,715,002	\$ 3,311,830	\$ 4,381,128	\$ 3,989,888
Capital grants	450,551	299,215	783,850		1,234,401	299,215
Operating grants	25,292				25,292	
General revenues						
Property taxes	634,957	648,472			634,957	648,472
Other	2,967,783	2,831,225	363,548	366,120	3,331,331	3,197,345
Total revenues	4,744,709	4,456,970	4,862,400	3,677,950	9,607,109	8,134,920
Program expenses						
General government	1,006,129	914,828			1,006,129	914,828
Public safety	1,262,986	1,296,118			1,262,986	1,296,118
Public works	1,094,612	980,089			1,094,612	980,089
Culture & recreation	924,712	892,386			924,712	892,386
Water			996,538	952,840	996,538	952,840
Trash & garbage			472,790	457,603	472,790	457,603
Waste water			1,398,796	1,380,651	1,398,796	1,380,651
Storm water			202,457	207,729	202,457	207,729
Golf course			595,489	233,168	595,489	233,168
Total expenses	4,288,439	4,083,421	3,666,070	3,231,991	7,954,509	7,315,412
Excess (deficiency) before transfers	456,270	373,549	1,196,330	445,959	1,652,600	819,508
Transfers	(419,813)	(163,284)	419,813	163,284		
Increase (decrease) in net assets	36,457	210,265	1,616,143	609,243	1,652,600	819,508
Net Position - beginning of year	9,482,478	9,272,213	15,394,967	14,785,724	24,877,445	24,057,937
Net position - ending	\$ 9,518,935	\$ 9,482,478	\$ 17,011,110	\$ 15,394,967	\$ 26,530,045	\$ 24,877,445

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brush, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Brush can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Brush maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the only major governmental fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Brush adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on pages 62-68 for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-22 of this report.

Proprietary funds. The City of Brush maintains five enterprise funds classified as proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Brush uses enterprise funds to account for its Water, Trash and Garbage, Waste Water, Storm Water, and Golf Course operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Trash and Garbage, Waste Water, Storm Water and Golf Course operations, all of which are considered to be major funds of the City of Brush.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-56 of the report. Notes to the required supplementary information can be found on pages 69-70.

Other information. Included in the basic financial statements and accompanying notes, this report presents information concerning the City of Brush's progress in funding its obligation to provide pension benefits to its employees. The information can be found in note 8 on pages 43-53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the general fund supplemental information. Combining and individual nonmajor fund statements and schedules can be found on pages 71-79 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Brush, assets exceeded liabilities by \$26,530,045 at the close of 2016.

Capital assets reflect 77 percent of the City of Brush's total assets (e.g., land, buildings, machinery, and equipment). The City of Brush uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brush's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Six percent of the City of Brush's net position represent resources that are subject to external restrictions on how they may be used. There is \$4,881,920 of unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Brush is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City of Brush's net position by \$36,457, thereby accounting for 2 percent of the total growth in the net position of the City of Brush.

Business-type activities. Business-type activities increased the City of Brush's net position by \$1,616,143. The increase to net position is 98 percent of the increase.

Financial Analysis of the Government's Funds

As noted earlier the City of Brush uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Brush's governmental funds reported combined ending fund balances of \$3,998,145 a decrease of \$54,865 in comparison with the prior year. Approximately 54 percent of this total amount (\$2,041,566) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes.

The general fund is the chief operating fund of the City of Brush. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,041,566, while total fund balance reached \$2,429,364. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51 percent of total general fund expenditures, while total fund balance represents 61 percent of that same amount.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,526,944. The total growth in net position for the Water, Trash and Garbage, Waste Water, Storm Water, and Golf Course funds was \$278,443, \$43,570, \$177,774, \$870,452, and \$245,904, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Brush's business-type activities.

General Fund Budgetary Highlights

During the year actual revenues were more than budgeted revenues by \$127,074 of which \$81,229 can be attributed to taxes. During the year actual expenditures were less than budgeted expenditures by \$784,233. The savings is attributed to personnel, professional services and capital purchases.

Capital Assets and Debt Administration

Capital assets. The City of Brush's investments in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$27,686,114 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and streets.

Major capital asset events during the current fiscal year were for equipment purchases.

Additional information on the City of Brush's capital assets can be found in note 3 on pages 37-38 of this report.

Long-term debt. At the end of the current fiscal year, the City of Brush had total bonded debt outstanding of \$7,268,395. This debt is paid with waste water revenues.

There was \$425,000 in principal paid on the waste water treatment plant loan which was secured thru the Colorado Water & Power Authority.

Additional information on the City of Brush's long-term debt can be found in notes 4, and 5 on page 39-40 of this report.

Economic Factors and Next Year's Budget and Rates.

The City of Brush continues to see growth in the business area. There was a 1 percent increase in sales tax for 2016, with no increase projected for 2017. In 2016 property taxes for the City of Brush decreased by 3 percent.

During the current fiscal year, unreserved, undesignated fund balance in the general fund decreased by \$216,127. The City of Brush has appropriated \$673,580 of fund balances for spending in the 2017 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2017 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Brush's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 600 Edison St., City of Brush, Brush, CO 80723.

CITY OF BRUSH, COLORADO

STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and investments (Notes 1 & 2)	\$ 3,277,667	\$ 2,859,657	\$ 6,137,324
Cash on deposit with Morgan County Treasurer (Notes 1 & 2)	5,232		5,232
Receivables (Note 1)			
Accrued interest	4,319	2,889	7,208
Accounts receivable	56,836	589,630	646,466
Sales tax receivable	308,784		308,784
Highway users tax receivable	11,170		11,170
General property taxes receivable	623,959		623,959
Due from other funds	350,000		350,000
Other receivables		14,425	14,425
Inventory (Note 1)	54,830	74,144	128,974
Total Current Assets	4,692,797	3,540,745	8,233,542
Noncurrent Assets			
Net pension asset (Note 8)	1,725		1,725
Capital Assets (Notes 1 & 3)			
Land	492,622	1,936,804	2,429,426
Property and equipment	10,122,265	25,529,513	35,651,778
Water rights stock		1,520,105	1,520,105
Less: accumulated depreciation	(4,878,942)	(7,036,253)	(11,915,195)
Total Capital Assets	5,735,945	21,950,169	27,686,114
Total Noncurrent Assets	5,737,670	21,950,169	27,687,839
Total Assets	10,430,467	25,490,914	35,921,381
Deferred Outflows of Resources			
Pension deferrals (Note 8)	222,226		222,226
Total Assets and Deferred Outflows of Resources	\$ 10,652,693	\$ 25,490,914	\$ 36,143,607
Liabilities			
Current Liabilities			
Accounts payable	47,191	188,334	235,525
Police bond account	4,959		4,959
Due to other funds		350,000	350,000
Due to other agencies	325	2,080	2,405
Payroll taxes withheld and accrued	6,594	1,257	7,851
Sales tax payable		479	479
Accrued interest expense		83,016	83,016
Unearned revenues	11,624	8,290	19,914
Unearned lease revenues		75,600	75,600
Current portion of notes payable (Notes 4 & 5)		430,000	430,000
Total Current Liabilities	70,693	1,139,056	1,209,749
Long-Term Liabilities			
Accrued compensated absences (Notes 1 & 5)	198,855	72,353	271,208
Net pension liability (Note 8)	229,944		229,944
Notes payable (Notes 4 & 5)		7,268,395	7,268,395
Total Long-Term Liabilities	428,799	7,340,748	7,769,547
Total Liabilities	499,492	8,479,804	8,979,296
Deferred inflow of resources			
Pension deferrals (Note 8)	10,307		10,307
Deferred property tax revenues	623,959		623,959
Total Deferred Inflows of Resources	634,266		634,266
Net Assets (Notes 1 & 6)			
Net investment in capital assets	5,735,945	14,251,774	19,987,719
Restricted:			
Restricted for Tricentennial celebration	3,118		3,118
Restricted for emergency	126,000		126,000
Restricted for park improvements and maintenance	16,407		16,407
Restricted for police equipment	13,339		13,339
Restricted for police evidence	6,293		6,293
Restricted for street improvements	751,853		751,853
Restricted for fire equipment	509,279		509,279
Restricted for debt service		232,392	232,392
Restricted for pension	1,725		1,725
Unrestricted	2,354,976	2,526,944	4,881,920
Total Net Position	9,518,935	17,011,110	26,530,045
Total liabilities, deferred inflows of resources and net position	\$ 10,652,693	\$ 25,490,914	\$ 36,143,607

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 1,006,129	\$ 29,119			\$ (977,010)		\$ (977,010)
Public Safety	1,262,986	76,613	\$ 25,292	\$ 36,463	(1,124,618)		(1,124,618)
Public Works	1,094,612	350,046		6,888	(737,678)		(737,678)
Culture and recreation	924,712	210,348		407,200	(307,164)		(307,164)
Total Governmental Activities	<u>4,288,439</u>	<u>666,126</u>	<u>25,292</u>	<u>450,551</u>	<u>(3,146,470)</u>		<u>(3,146,470)</u>
Business-Type Activities							
Water	996,538	1,024,046		6,100		\$ 33,608	33,608
Trash and Garbage	472,790	525,819				53,029	53,029
Waste Water	1,398,796	1,524,472		15,750		141,426	141,426
Storm Water	202,457	311,392		762,000		870,935	870,935
Golf Course	595,489	329,273				(266,216)	(266,216)
Total Business-Type Activities	<u>3,666,070</u>	<u>3,715,002</u>		<u>783,850</u>		<u>832,782</u>	<u>832,782</u>
Total Primary Government	<u>\$ 7,954,509</u>	<u>\$ 4,381,128</u>	<u>\$ 25,292</u>	<u>\$ 1,234,401</u>	<u>(3,146,470)</u>	<u>832,782</u>	<u>(2,313,688)</u>

CITY OF BRUSH, COLORADO

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

General Revenues and Transfers			
Taxes			
Local property	634,957		634,957
Specific ownership	80,643		80,643
Franchise	217,805		217,805
Sales	1,913,117		1,913,117
Cigarette	6,079		6,079
Other revenues	673,837	349,572	1,023,409
Investment earnings	16,575	13,976	30,551
Pension income	48,688		48,688
Sale of property	11,039		11,039
Transfers	(419,813)	419,813	
	<u>3,182,927</u>	<u>783,361</u>	<u>3,966,288</u>
Total General Revenues and Transfers			
Change in Net Position	36,457	1,616,143	1,652,600
Net position at beginning of year	<u>9,482,478</u>	<u>15,394,967</u>	<u>24,877,445</u>
Net Position at End of Year	<u>\$ 9,518,935</u>	<u>\$ 17,011,110</u>	<u>\$ 26,530,045</u>

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash (Notes 1 & 2)	\$ 671,077	\$ 456,493	\$ 1,127,570
Investments (Notes 1 & 2)	1,099,035	1,046,103	2,145,138
Police bond cash (Notes 1 & 2)	4,959		4,959
Cash on deposit with Morgan County Treasurer (Notes 1 & 2)	5,232		5,232
Accrued interest revenue	2,310	2,009	4,319
Accounts receivable (Note 1)	54,303	2,533	56,836
General property taxes receivable	584,348	39,611	623,959
Due from other funds	350,000	2,723	352,723
Sales tax receivable	231,917	76,867	308,784
Highway users tax receivable	11,170		11,170
Inventory	54,830		54,830
Total Assets	<u>\$ 3,069,181</u>	<u>\$ 1,626,339</u>	<u>\$ 4,695,520</u>
Liabilities			
Accounts payable	\$ 43,591	\$ 3,600	\$ 47,191
Police bond account	4,959		4,959
Due to other agencies	325		325
Due to other funds		2,723	2,723
Payroll taxes withheld and accrued	6,594		6,594
Unearned revenues		11,624	11,624
Total Liabilities	55,469	17,947	73,416
Deferred inflow of resources			
Deferred tax revenue	584,348	39,611	623,959
Fund Equity			
Fund Balance (Notes 1 & 6)			
Nonspendable for inventory	54,830		54,830
Restricted for Tricentennial celebration	3,118		3,118
Restricted for emergency		126,000	126,000
Restricted for park improvements and maintenance		16,407	16,407
Restricted for police equipment		13,339	13,339
Restricted for police evidence		6,293	6,293
Restricted for street improvements		751,853	751,853
Restricted for fire equipment		509,279	509,279
Committed for park improvements		107,586	107,586
Committed for cemetery maintenance		36,630	36,630
Committed for emergency		1,394	1,394
Committed for grant projects			
Committed for main street improvements	5,486		5,486
Assigned for community enhancement	251,569		251,569
Assigned for general equipment	72,795		72,795
Unassigned	2,041,566		2,041,566
Total Fund Equity	<u>2,429,364</u>	<u>1,568,781</u>	3,998,145
Total Liabilities, Deferred Inflow of Resources and Fund Equity	<u>\$ 3,069,181</u>	<u>\$ 1,626,339</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 3)	5,735,945
Net pension assets, liabilities and deferrals used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	(16,300)
Long-term liabilities including accrued compensated absences are not due and payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(198,855)</u>
Net Assets of Governmental Activities	<u>\$ 9,518,935</u>

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,339,649	\$ 528,104	\$ 2,867,753
Licenses and permits	41,980		41,980
Intergovernmental revenue	311,510	97,072	408,582
Charges for services	246,169	10,611	256,780
Fines and forfeits	55,978	6,424	62,402
Miscellaneous	619,648	427,837	1,047,485
Total Revenues	<u>3,614,934</u>	<u>1,070,048</u>	<u>4,684,982</u>
Expenditures			
General government	983,606		983,606
Public safety	1,152,469		1,152,469
Public works	742,556	99,466	842,022
Culture and recreation	713,462	108,779	822,241
Capital Outlay	155,719	621,469	777,188
Total Expenditures	<u>3,747,812</u>	<u>829,714</u>	<u>4,577,526</u>
Revenues in Excess (Deficiency) of Expenditures	<u>(132,878)</u>	<u>240,334</u>	<u>107,456</u>
Other Financing Sources (Uses)			
Sale of property	11,039		11,039
Transfer in	66,656		66,656
Transfer out	<u>(240,000)</u>	<u>(16)</u>	<u>(240,016)</u>
Total Other Financing Sources (Uses)	<u>(162,305)</u>	<u>(16)</u>	<u>(162,321)</u>
Net change in fund balances	(295,183)	240,318	(54,865)
Fund Balance - Beginning of year	<u>2,724,547</u>	<u>1,328,463</u>	<u>4,053,010</u>
Fund Balance - End of year	<u>\$ 2,429,364</u>	<u>\$ 1,568,781</u>	<u>\$ 3,998,145</u>

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

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

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds \$ (54,865)

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

Depreciation expense	\$(478,453)	
Capital outlays	<u>530,948</u>	52,495

In the statement of activities, certain operating expenses such as pension expense and accrued compensated absences, are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid or accrued short term). This amount represents the net effect of long-term accrued compensated absences and pension expense on the statement of activities.

38,827

Change in net position of governmental activities \$ 36,457

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities Enterprise Funds					Total
	Water Fund	Trash and Garbage Fund	Waste Water Fund	Storm Water Fund	Golf Course Fund	
ASSETS						
Current Assets (Note 1 & 2)						
Cash (Notes 1 & 2)	\$ 267,311	\$ 132,399	\$ 225,479	\$ 39,255	\$ 28,103	\$ 692,547
Investments (Notes 1 & 2)	761,743	150,053	1,154,397	100,917		2,167,110
Accrued interest revenue	383	128	1,269	1,109		2,889
Accounts receivable (Note 1)	337,223	1,527	485	250,395		589,630
Other receivables	14,425					14,425
Inventory (Note 1)	35,105	23,333			15,706	74,144
Total Current Assets	<u>1,416,190</u>	<u>307,440</u>	<u>1,381,630</u>	<u>391,676</u>	<u>43,809</u>	<u>3,540,745</u>
Property, Plant and Equipment (Note 1 & 3)						
Land	1,166,468	1,475	719,400		49,461	1,936,804
Buildings and improvements	170,477	85,117			321,821	577,415
Water system	6,877,245					6,877,245
Waste water plant and sewer system			13,810,179			13,810,179
Equipment	706,974	359,966	507,393	2,424,249	138,806	4,137,388
Office equipment	127,286					127,286
Water rights stock	1,520,105					1,520,105
Subtotal	<u>10,568,555</u>	<u>446,558</u>	<u>15,036,972</u>	<u>2,424,249</u>	<u>510,088</u>	<u>28,986,422</u>
Less accumulated depreciation	<u>(4,154,129)</u>	<u>(341,120)</u>	<u>(2,113,750)</u>	<u>(392,603)</u>	<u>(34,651)</u>	<u>(7,036,253)</u>
Property, Plant and Equipment - Net	<u>6,414,426</u>	<u>105,438</u>	<u>12,923,222</u>	<u>2,031,646</u>	<u>475,437</u>	<u>21,950,169</u>
Total Assets	<u>\$ 7,830,616</u>	<u>\$ 412,878</u>	<u>\$ 14,304,852</u>	<u>\$ 2,423,322</u>	<u>\$ 519,246</u>	<u>\$ 25,490,914</u>

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS (Cont.)
 December 31, 2016

	Business-Type Activities Enterprise Funds					Total
	Water Fund	Trash and Garbage Fund	Waste Water Fund	Storm Water Fund	Golf Course Fund	
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	\$ 42,500	\$ 16,178	\$ 35,225	\$ 76,848	\$ 17,583	\$ 188,334
Accrued interest payable			83,016			83,016
Due to other fund	350,000					350,000
Due to other entity			2,080			2,080
Payroll taxes withheld and accrued		78	137			215
Tips payable					1,042	1,042
Sales tax payable					479	479
Unearned revenues				8,290		8,290
Unearned lease revenues	75,600					75,600
Note payable (Notes 4 & 5)			430,000			430,000
Total Current Liabilities	468,100	16,256	550,458	85,138	19,104	1,139,056
Long-Term Liabilities						
Accrued compensated absences (Note 5)	44,025	18,666	1,893	7,769		72,353
Notes payable (Notes 4 & 5)			7,268,395			7,268,395
Total Long-Term Liabilities	44,025	18,666	7,270,288	7,769		7,340,748
Total Liabilities	512,125	34,922	7,820,746	92,907	19,104	8,479,804
Net Position (Note 6)						
Net investment in capital assets	6,414,426	105,438	5,224,827	2,031,646	475,437	14,251,774
Restricted for debt service (Note 4)			232,392			232,392
Unrestricted	904,065	272,518	1,026,887	298,769	24,705	2,526,944
Total Net position	7,318,491	377,956	6,484,106	2,330,415	500,142	17,011,110
Total liabilities and net position	\$ 7,830,616	\$ 412,878	\$ 14,304,852	\$ 2,423,322	\$ 519,246	\$ 25,490,914

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

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

	Business-Type Activities- Enterprise Funds					Total
	Water Fund	Trash and Garbage Fund	Waste Water Fund	Storm Water Fund	Golf Course Fund	
Operating Revenue						
Services	\$ 988,585	\$ 504,535	\$ 1,522,597	\$ 308,223		\$ 3,323,940
Sale of trash cans		8,121				8,121
Administrative fees	29,852					29,852
Storm water maintenance assessment				3,159		3,159
Membership dues					\$ 51,967	51,967
Barn and golf course fees					60,123	60,123
Restaurant and Bar income					215,864	215,864
Miscellaneous	5,609	13,163	1,875	10	1,319	21,976
Total Operating Revenue	1,024,046	525,819	1,524,472	311,392	329,273	3,715,002
Operating Expense						
Cost of sales and services	516,041	352,916	534,770	100,836	544,686	2,049,249
Administration	232,060	100,604	339,322	30,274	7,700	709,960
Depreciation	227,215	19,270	312,319	71,347	31,243	661,394
Total Operating Expense	975,316	472,790	1,186,411	202,457	583,629	3,420,603
Operating Income (Loss)	48,730	53,029	338,061	108,935	(254,356)	294,399
Nonoperating Revenue (Expense)						
Interest on investments	4,945	866	5,291	2,872	2	13,976
Grant income				762,000		762,000
Rental income	10,804		21,600		859	33,263
Farm income	29,376		18,188			47,564
Water rights and credit leases	176,496					176,496
Capacity and development fees	32,508		25,264			57,772
DOW lease	3,600					3,600
Easement	6,071					6,071
Golf course income					24,806	24,806
Golf course expense					(11,860)	(11,860)
Water conservation	(12,090)					(12,090)
Farm expense	(9,132)		(29,785)			(38,917)
Interest expense (Note 5)			(182,600)			(182,600)
Total Nonoperating Revenue (Expense)	242,578	866	(142,042)	764,872	13,807	880,081
Income (Loss) before transfers and capital contributions	291,308	53,895	196,019	873,807	(240,549)	1,174,480
Transfer out	(18,965)	(10,325)	(33,995)	(3,355)		(66,640)
Transfer in					240,000	240,000
Capital Contributions	6,100		15,750		246,453	268,303
Change in net position	278,443	43,570	177,774	870,452	245,904	1,616,143
Net Position at beginning of year	7,040,048	334,386	6,306,332	1,459,963	254,238	15,394,967
Net Position - End of year	\$ 7,318,491	\$ 377,956	\$ 6,484,106	\$ 2,330,415	\$ 500,142	\$ 17,011,110

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

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

	Business - Type Activities Enterprise Funds					Total
	Water Fund	Trash and Garbage Fund	Waste Water Fund	Storm Water Fund	Golf Course Fund	
Cash flows from operating activities:						
Cash receipts from customers	\$ 997,479	\$ 526,138	\$ 1,528,025	\$ 311,392	\$ 329,346	\$ 3,692,380
Internal activity - receipts from (payments to) other funds	350,000					350,000
Cash payments to suppliers for goods and services	(406,135)	(241,380)	(637,576)	(9,217)	(330,251)	(1,624,559)
Cash payments to employees for services	(307,920)	(206,906)	(215,166)	(49,645)	(226,314)	(1,005,951)
Net cash provided (used) by operating activities	633,424	77,852	675,283	252,530	(227,219)	1,411,870
Cash flows from noncapital financing activities						
Water conservation	(12,090)					(12,090)
Transfers	(18,965)	(10,325)	(33,995)	(3,355)	240,000	173,360
Net cash provided (used) by noncapital financing activities	(31,055)	(10,325)	(33,995)	(3,355)	240,000	161,270
Cash flows from capital and related financing activities:						
Additions to capital assets	(363,976)	(43,514)	(88,235)	(1,342,249)		(1,837,974)
Additions to water stock investments	(427,550)					(427,550)
Principal paid on debt			(425,000)			(425,000)
Interest paid on debt			(203,466)			(203,466)
Cash from grant				511,605		511,605
Capital contributed from tap fees	6,100		15,750			21,850
Capacity and development fee principal collections	32,508		25,264			57,772
Water rights and credit leases	176,496					176,496
Net cash provided (used) by capital and related financing activities	(576,422)	(43,514)	(675,687)	(830,644)		(2,126,267)
Cash flows from investing activities:						
Farm income/(loss) - net	20,244		(11,597)			8,647
Rental & Easement income	16,875		21,600		859	39,334
Golf course income/(loss)					12,946	12,946
Interest received on investments	5,105	969	5,760	2,648	2	14,484
Net cash provided by investing activities	42,224	969	15,763	2,648	13,807	75,411
Net increase (decrease) in cash and cash equivalents	68,171	24,982	(18,636)	(578,821)	26,588	(477,716)
Cash & cash equivalents - beginning of year	960,883	257,470	1,398,512	718,993	1,515	3,337,373
Cash & cash equivalents - end of year	\$ 1,029,054	\$ 282,452	\$ 1,379,876	\$ 140,172	\$ 28,103	\$ 2,859,657
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (Loss)	\$ 48,730	\$ 53,029	\$ 338,061	\$ 108,935	\$ (254,356)	\$ 294,399
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	227,215	19,270	312,319	71,347	31,243	661,394
Changes in assets and liabilities						
Decrease (Increase) in accounts receivable	(22,544)	319	3,553		73	(18,599)
Decrease (Increase) in inventory	(1,407)	405			(13,386)	(14,388)
Decrease (Increase) in other receivables	(4,023)					(4,023)
Increase (Decrease) in accounts payable	28,087	4,434	22,492	73,197	8,031	136,241
Increase (Decrease) in due to other funds	350,000					350,000
Increase (Decrease) in other liabilities	7,366	395	(1,142)	(949)	1,176	6,846
Total Adjustments	584,694	24,823	337,222	143,595	27,137	1,117,471
Net cash provided (used) by operating activities	\$ 633,424	\$ 77,852	\$ 675,283	\$ 252,530	\$ (227,219)	\$ 1,411,870
Cash & cash equivalents at end of year consist of:						
Cash	\$ 267,311	\$ 132,399	\$ 225,479	\$ 39,255	\$ 28,103	\$ 692,547
Investments	761,743	150,053	1,154,397	100,917		2,167,110
Total	\$ 1,029,054	\$ 282,452	\$ 1,379,876	\$ 140,172	\$ 28,103	\$ 2,859,657
Noncash capital financing activities						
Capital assets acquired through contribution from Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ 246,453	\$ 246,453

The accompanying notes are an integral part of these statements.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brush, Colorado have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the City's financial statements.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements should present the City of Brush, Colorado (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's financial statements to be misleading or incomplete. Based on the foregoing criteria, the City has no component units.

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. The City has collected nearly 100% of all property taxes at December 31. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

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

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The City reports the following major proprietary funds:

Water Fund

This fund was established to account for the operation of a City-owned and operated public water system.

Waste Water Fund

This fund was established to account for the operation of a City-owned and operated public sewer system.

Trash and Garbage Fund

This fund was established to provide for separate accountability of fees derived from the City-operated public trash system.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Storm Water Fund

This fund was established to provide for separate accountability of fees derived for the use of street and storm sewer cleaning.

Golf Course Fund

This fund was established to account for the operations of a City-owned and operated public golf course.

Additionally, the City reports the following nonmajor funds:

Special Surplus and Deficiency Fund

This fund presently accounts for the emergency reserves required under the Tabor amendment (Note 7).

Conservation Trust Fund

This fund was established by the City to provide for an accounting of those funds received through the State of Colorado Lottery Fund Program. The State requires that these funds be expended in the areas of parks and recreation development.

Police Forfeiture and Confiscation Fund

This fund is used to account for monies collected from the sale of evidence seized by the Police department (Note 7).

Capital Improvement Fund

This fund accounts for capital outlay acquisitions of the governmental fund types.

Fire Equipment Improvement Fund

This fund accounts for the acquisition of fire equipment and building improvements.

Cemetery Perpetual Care Fund

This fund is established to accumulate funds for the perpetual care and maintenance of the City's cemetery grounds. Current Council resolutions also allow capital purchases in this fund.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Joslin-Needham Fund

This fund is established to provide for separate accountability of monies contributed to the City by the Joslin-Needham Family Foundation earmarked for particular projects.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

D. Budgets

Annually appropriated budgets were adopted for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles except for depreciation, debt service, and capital outlay. All governmental funds and proprietary funds are budgeted on the modified accrual basis of accounting. All appropriations lapse at year end. In the budget versus actual statements, the actual results of operations are presented on the budgetary basis of accounting for proper comparison to the budget.

Colorado statutes provide the following timetable which is followed in the adoption of the budgets:

- (1) Submission of the proposed budget to the local governing body by October 15 of each year.
- (2) Certification of mill levies to the Board of County Commissioners by December 15.
- (3) Final adoption of budget and appropriations by December 31 of each year.

CITY OF BRUSII, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

- (4) Property taxes are due by April 30 of each year if paid in full, or in two installments due February 28 and June 15 of each year.
- (5) Liens are placed on property for which taxes are delinquent in November of each year.

The actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2016 budget (Note 7). For purposes of preparing the Schedule of Revenues and Expenditures - Budget and Actual, the actual results of operations have been adjusted to a basis consistent with the City's budgeted revenues and expenditures.

E. Cash and Investments

For purposes of the statement of cash flows, the enterprise funds consider cash on hand, demand deposits, and short-term investments with an original maturity of three months or less to be cash and cash equivalents (Note 2).

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "interfund note receivable/payable." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items for enterprise funds.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Encumbrances

The City does not utilize encumbrance accounting.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

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

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statements of Net Assets. A composite depreciation rate is used for infrastructure assets. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25-50 years
Improvements Other than Buildings	15-50 years
Water Distribution System	10-50 years
Sewer Collection System	10-50 years
Machinery and Equipment	5-20 years
Vehicles	5-15 years
Infrastructure	20-80 years

K. Compensated Absences

Accumulated vacation leave is reported as a liability for all leave related to past employee service for which payment to the employee is considered probable. Vested vacation and sick pay benefits are accrued when incurred. A liability for unused sick leave benefits is accrued only if the employees are eligible or it is probable that the employee will be compensated for the benefits through cash payments upon termination or retirement. The sick leave liability is estimated based on the City's assumptions concerning the probability for making payments for sick leave and its vested payment policy (vesting method).

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences (continued)

Accumulated vacation leave and payments for sick leave that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay the benefit. Accumulated vacation leave and sick leave termination payments for proprietary fund types are recorded as fund liabilities.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers (Note 12).

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Net Position

Net Position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

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 bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

O. Fund Balance Classifications

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

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

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the city council (the City’s highest level of decision-making authority),

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Classifications (continued)

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

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

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

P. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Note 2: DEPOSITS AND INVESTMENTS

Cash and Deposits

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

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 2: DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits might not be returned to it. The City does not have deposit policy for custodial credit risk. As of year-end, the City had total deposits of \$5,261,469, of which \$750,000 was insured and \$4,511,469 was collateralized with securities held by the pledging institution’s trust department or agent in the City’s name.

At year-end, the City had the following investments:

Investment type	Fair Value	Investment maturities (in years)		
		Less than 1	1-5	6-10
Investment in certificate of deposits	\$ 3,303,490	\$ 3,303,490	\$	\$
Investment in CSAFE	1,008,758	1,008,758		
Totals	\$ 4,312,248	\$ 4,312,248	\$	\$

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least on nationally recognized rating agency at the time of purchase. The City has no investment policy that would further limit its investment choices. At year-end, the City’s investment in CSAFE was rate AAAM by Standard and Poor’s and AAA by Moody’s rating services.

Note 3: CAPITAL ASSETS

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

Governmental Activities	
General Government	\$ 14,776
Public Safety	108,687
Public Works	251,830
Culture and Recreation	103,160
Total Governmental Activities	\$ 478,453
Business-type Activities	
Water	\$ 227,215
Trash and Garbage	19,270
Waste Water	312,319
Storm Water	71,347
Golf Course	31,243
Total Business-type Activities	\$ 661,394

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 3: CAPITAL ASSETS (continued)

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

	Balance December 31, 2015	Additions and Adjustments	Deletions and Adjustments	Balance December 31, 2016
<u>Governmental Activities</u>				
Non-depreciable assets:				
Land	\$ 492,622			\$ 492,622
Depreciable assets:				
Buildings	1,706,928			1,706,928
Equipment	2,271,816	\$ 154,334		2,426,150
Vehicles	1,177,618	80,704	\$ (77,856)	1,180,466
Infrastructure	3,581,591	291,610		3,873,201
Land improvements	912,485	4,300		916,785
Other	18,735			18,735
Less Accumulated Depreciation	(4,478,345)	(478,453)	77,856	(4,878,942)
Net Depreciable Capital Assets	5,190,828	52,495		5,243,323
Total Governmental Activities	\$ 5,683,450	\$ 52,495		\$ 5,735,945
<u>Business-Type Activities</u>				
Non-depreciable assets:				
Land	\$ 1,862,096	74,708		\$ 1,936,804
Water right stocks	1,092,555	427,550		1,520,105
Total non-depreciable assets	2,954,651	502,258		3,456,909
Buildings	380,555	196,860		577,415
Equipment	2,745,816	1,518,858		4,264,674
Systems	20,393,425	293,999		20,687,424
Less Accumulated Depreciation	(6,374,861)	(661,392)		(7,036,253)
Net Depreciable Capital Assets	17,144,935	1,348,325		18,493,260
Total Business-Type Activities	\$ 20,099,586	\$ 1,850,583		\$ 21,950,169

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 4: BONDS/NOTES PAYABLE

Business-Type Activities

Waste Water Fund - Note

During 2010 the City received a \$9,465,000 loan from the Colorado Water Resources and Power Development Authority. Details of the note are as follows:

<u>REPAYMENT DATE</u>	<u>PRINCIPAL BALANCE</u>	<u>INTEREST AND FEES</u>	<u>TOTAL LOAN REPAYMENT</u>
2017	430,000.00	199,238.95	629,238.95
2018	435,000.00	191,727.53	626,727.53
2019	445,000.00	180,702.71	625,702.71
2020	455,000.00	170,243.61	625,243.61
2021	465,000.00	160,193.75	625,193.75
2022	475,000.00	150,054.71	625,054.71
2023	485,000.00	144,985.71	629,985.71
2024	485,000.00	140,290.71	625,290.71
2025	490,000.00	135,401.52	625,401.52
2026	500,000.00	126,556.04	626,556.04
2027	510,000.00	117,919.44	627,919.44
2028	520,000.00	109,471.18	629,471.18
2029	545,000.00	82,295.44	627,295.44
2030	575,000.00	55,031.96	630,031.96
2031	600,000.00	27,594.72	627,594.72
	<u>\$ 7,415,000.00</u>	<u>\$ 1,991,707.98</u>	<u>\$ 9,406,707.98</u>

Payments are due semi-annually on February 1 and August 1 beginning February 1, 2011 and ending August 1, 2031. The net effective interest rate is 2.50%.

The City may prepay the loan repayments, in whole or in part (but if in part, in the amount of \$100,000 or any integral multiple of \$100,000) upon prior written notice of not less than ninety days.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 4: BONDS/NOTES PAYABLE (continued)

The loan agreement with Colorado Water Resources and Power Development Authority contains several covenants including the establishment and maintenance of an operations and maintenance reserve fund in an amount equal to three months of operation and maintenance expenses. The City has restricted \$232,392 of net position in satisfaction of the three month renewal and maintenance reserve requirement at year-end. The City must also maintain waste water rates, fees and other charges that will cover operation and maintenance expenses and at least 110% of debt services for the calendar year. The City met this requirement for the year ended December 31, 2016.

Note 5: CHANGES IN LONG-TERM DEBT

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

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 188,994	\$ 9,861		\$ 198,855	
Net pension liability	218,325	11,619		229,944	
Total Governmental activities	<u>\$ 407,319</u>	<u>\$ 21,480</u>	<u>\$ -0-</u>	<u>\$ 428,799</u>	<u>\$ -0-</u>
Business-type activities					
Compensated absences payable	\$ 65,093	7,260		\$ 72,353	
Premium on note payable	302,500		(19,105)	283,395	
Notes payable	7,840,000		(425,000)	7,415,000	430,000
Total Business-type activities	<u>\$ 8,207,593</u>	<u>\$ 7,260</u>	<u>\$ (444,105)</u>	<u>\$ 7,770,748</u>	<u>\$ 430,000</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

The total amount of interest cost incurred and expensed was \$182,600.

Note 6: COMMITMENTS AND CONTINGENCIES

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado, all local governments, and special districts. In, November, 2000, the City's electorate approved a resolution to permit the City to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 6: COMMITMENTS AND CONTINGENCIES (continued)

and revenues received from every source whatever, without limitation, in 2000 and all subsequent years, notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution, provided however, that no local tax rate or property mill levy shall be increased at anytime, nor shall any new tax be imposed, without the prior consent of voters of the City.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The City has made the following fund balance restriction as a result of Article X, Section 20 (TABOR) of the Colorado Constitution.

Emergency Reserve

The Article requires an emergency reserve be set aside for 2016 in the amount of 3% or more of its fiscal year spending. At December 31, 2016, the City has restricted \$126,000 in the Special Surplus and Deficiency Fund for emergencies. The City believes it is in compliance with the provisions of the TABOR Amendment.

In addition, the General Fund ending fund balance is restricted in the amount of \$3,118 for funds held on behalf of the City of Brush Bi-Centennial Committee.

The City presently levies a four percent (4%) sales tax. The sales tax is collected by the Colorado Department of Revenue and remitted to the City in the month following receipt by the Department of Revenue. The Department of Revenue receives the sales tax approximately one month after collection by the vendors. The citizens of Brush passed a ballot initiative for an increase of sales tax in November of 2006, increasing the sales tax rate by six-tenths of a percent from the previous three percent. The 2007 increase is specifically for street maintenance, improvements, and other related municipal purposes. The money is to be deposited in the capital improvement fund. All amounts not spent at year-end are restricted for the purposes designated by the legislation. At December 31, 2016 the amount of fund balance restricted for street maintenance was \$751,853. This amount is restricted by enabling legislation.

The citizens of Brush passed a ballot initiative for an increase of sales tax in November of 2014, increasing the sales tax rate by four-tenths of a percent from the previous three and six-tenths percent. Along with the increased sales tax revenues, the City has also established a separate mill levy specifically for the purchase of fire equipment and building improvements. The money is to be deposited in the Fire Equipment Fund. All amounts not spent at year-end are restricted for the purposes designated by legislation. At December 31, 2016 the amount of fund balance restricted for fire equipment and building improvements is \$509,279.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 6: COMMITMENTS AND CONTINGENCIES (continued)

The City receives monies from the State under the Colorado lottery program to be spent for park and recreation purposes only. At December 31, 2016 the amount of fund balance restricted for park maintenance and improvements was \$16,407.

The City has received funds from drug related court cases which the police department has been involved in. By state statute, expense is to be used for police equipment replacement. At December 31, 2016 the amount of fund balance restricted for police drug enforcement equipment was \$13,339.

The City received evidence funds at the time of police arrests. At December 31, 2016 the amount of fund balance restricted from evidence seizures was \$6,293.

Note 7: BUDGETARY DATA

The actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in the preparation of the 2016 budget. For purposes of preparing the Statements of Revenues, and Expenditures - Budget and Actual, the actual results of operations have been adjusted to a basis consistent with the City's budgeted revenues and expenditures. Adjustments necessary to convert the net income/revenues in excess of expenditures at the end of year on the GAAP basis to the budgetary basis are as follows:

	Water Fund	Garbage Fund	Water Fund	Water Fund	Course Fund
<u>Net Income (Loss)</u>					
GAAP Basis	\$ 278,443	\$ 43,570	\$ 177,774	\$ 870,452	\$ 245,904
Increase (Decrease) due to:					
Depreciation and amortization	227,215	19,270	312,319	71,347	31,243
Debt service-principal			(425,000)		
Capitalized interest					
Amortized premium			(19,105)		
Accrued interest			(1,761)		
Capital Outlay	(791,526)	(43,514)	(88,235)	(1,342,249)	
<u>Budgetary Basis</u>	<u>\$ (285,868)</u>	<u>\$ 19,326</u>	<u>\$ (44,008)</u>	<u>\$ (400,450)</u>	<u>\$ 277,147</u>

CITY OF BRUSIL, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 7: BUDGETARY DATA (continued)

The City may authorize Supplemental appropriations during the budget year. During 2016, the following supplemental appropriations were enacted.

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 590,000
Water Fund	505,200
Golf Course Fund	259,600
Conservation Trust Fund	27,000
Joslin-Needham Fund	307,200
Cemetery Perpetual Care Fund	<u>10,000</u>
Totals	<u>\$ 1,699,000</u>

Note 8: PENSION FUNDS

Statewide Defined Benefit Plan

Summary of significant accounting policies

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

General information about the pension plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2014 has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

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

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0%. The reentry Separate Retirement Account contribution rate was set at 3.60%.

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

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds.

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

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

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20 percent of base salary through 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, the members of the affiliate social security group will also have their required member contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Contributions to the Plan from the City were \$40,173.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported an asset of \$1,725 for its proportionate share of the net pension asset.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net position asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2015, the City's proportion was .0979 percent, which was an increase of .0149 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense (income) of (\$7,976). At December the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 86,831	\$ -
Changes in assumptions or other inputs	27,103	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	15,072	8,577
Contributions subsequent to measurement date	40,173	
Difference between expected & actual experience	<u>13,955</u>	<u>1,729</u>
Totals	<u>\$ 183,134</u>	<u>\$ 10,306</u>

\$40,173 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	\$ 27,059
2018	27,059
2019	27,059
2020	25,211
2021	4,890
2022	4,890
2023	4,890
2024	4,890
2025	5,439
2026	<u>1,268</u>
Totals	<u>\$ 132,655</u>

CITY OF BRUSII, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

Actuarial assumptions. The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2016
Actuarial method	Entry age normal
Amortization method	Level percent of payroll, open
Amortization period	30 years
Long-term investment rate of return*	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of living adjustment	0.0 percent
*Includes inflation at	2.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

At least every five years the FPPA’s Board of Directors reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37%	6.5%
Equity Long/Short	10%	4.7%
Illiquid Alternatives	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	<u>2%</u>	0.0%
Totals	<u>100%</u>	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors' funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	\$ 241,717	\$ (1,725)	\$ (203,652)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

Brush Combined Volunteer Pension Fund

Summary of significant accounting policies

Pensions. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (income), information about the fiduciary net position of the Brush Combined Volunteer Pension Fund and additions to/deductions from Brush Combined Volunteer Pension Fund's net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

Plan administration. The City's defined benefit pension plan for volunteers currently provides normal retirement, funeral, disability retirement and survivor benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. The FPPA issues a publicly available financial report that includes financial statements and required supplementary information for Public Employee Retirement System (PERS) Affiliated Local Plans that can be obtained at www.fppaco.org.

The City and the Brush Rural Fire Protection District formed an intergovernmental agreement in 2003 to consolidate the City and Rural pension plans into one, effect January 1, 2004. All of the plan assets are managed and benefits paid by FPPA. The City reports its proportionate share of the combined Pension Plan on its financial statements that include the net pension liability of the plan.

Plan membership. At year-end, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	36
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>25</u>
Total	<u><u>65</u></u>

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

Benefits provided. The plan provides retirement and death benefits. Any firefighter who has both reached the age of 50 and completed 20 years of active service shall be eligible for a monthly pension (currently \$260 per month). Vesting for reduced monthly pension benefits begins at 10 years of service, with full pension after 20 years. The plan provides for a lump-sum burial benefit of \$520 upon the death of an active or retired firefighter. The plan also provides disability monthly benefit ranging from \$130 to \$260 and survivor monthly benefit on \$130.

Contributions. Contribution requirements of the plan are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Contributions to the plan for the year ended December 31, 2016 included \$27,775 from the State of Colorado matching funds, \$21,654 from Brush Rural Fire Protection District and \$16,662 from the City.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 the City reported a proportionate share of net pension liability of \$229,944. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2016. The proportionate share was determined by the total contributions of the City and the Brush Rural Fire Protection District made in 2015.

For the year ended December 31, 2016, the City recognized pension expense (income) of \$16,123. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,361	\$ -
Net difference between projected and actual earnings on pension plan investments	18,068	-
Contributions subsequent to the measurement date	<u>16,662</u>	<u>-</u>
Total	<u>\$ 39,091</u>	<u>\$ -</u>

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

\$16,662 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31, ___</u>	<u>Amount</u>
2017	\$ 7,342
2018	6,377
2019	4,679
2020	<u>4,031</u>
Totals	<u>\$ 22,429</u>

Actuarial assumptions. The total pension asset in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2007 – December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumptions from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37%	6.5%
Equity Long/Short	10%	4.7%
Illiquid Alternatives	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	<u>2%</u>	0.0%
Totals	<u>100%</u>	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of December 31, 2015, are summarized in the above table.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Directors’ funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s net pension liability to changes in the discount rate. The following presents the City’s net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount (7.50%)</u>	<u>Current 1% Increase (8.50%)</u>
Net pension liability (asset)	\$ 290,860	\$ 229,944	\$ 178,772

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION FUNDS (continued)

The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Brush Rural Fire Protection District Volunteer Pension Fund financial report.

Payables to the pension plan

The City did not report any payables to the pension plan at year-end.

Defined Contribution Plan

The City participates in the City of Brush, Colorado Money Purchase Pension Plan (the Plan), a defined contribution plan administered by Great West Retirement. Benefit terms, including contribution requirements, for the Plan are established and may be amended by City Council. The City is required to contribute 5% of covered employee's salary, while employees are not required to make any contributions. For the year, the City recognized pension expense of \$59,814. Employee vesting begins at two years with 20% and continues at 20% per year until fully vested in year six.

Note 9: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In 1998 this plan moved all assets into a trust for the exclusive benefit of the participants and their beneficiaries, as required by the Internal Revenue Code.

Note 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Colorado Intergovernmental Risk Sharing Agency (herewith referred to as "CIRSA"). CIRSA is a separate legal entity established by member municipalities pursuant to the provisions of Colorado Revised Statute and the Colorado Constitution. The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to person or property which might result in claims being made against members of CIRSA, their employees or officers.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 10: RISK MANAGEMENT (continued)

The City recognized as an expense/expenditure the amounts paid to CIRSA annually in the amounts of \$129,703 for the Worker's Compensation Pool and \$119,151 for the Property/Casualty Pool. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the City.

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

CIRSA is a separate legal entity and the City does not approve its budgets nor does it have the ability to significantly affect the operations of the unit. CIRSA is affiliated and shares facilities with Colorado Intergovernmental Risk Sharing Agency for Worker's Compensation (CIRSA/WC).

The City carries airport liability and boiler and machinery coverage through commercial carriers.

Note 11: GRANTS

The City receives financial assistance from various governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the City. However in the opinion of the City, any such disallowed claims will not have a material effect on the financial statements or on the overall financial position of the City at December 31, 2016.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 12: INTERFUND TRANSFERS AND BALANCES

All interfund transfers are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 16
General Fund	Water Fund	18,965
General Fund	Trash & Garbage Fund	10,325
General Fund	Waste Water Fund	33,995
General Fund	Storm Water Fund	3,355
Golf Course Fund	General Fund	240,000
		<u>\$ 306,656</u>

The transfer between the general fund and other governmental funds is for a one-time assistance for the purchase and startup of a public golf course and earnings on Cemetery Perpetual Care investments. The transfer from the enterprise funds to the General Fund are annual transfers for community enhancement projects which includes the City's economic development efforts.

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General Fund	Water Fund	\$ 350,000
Other Governmental Funds	Other Governmental Funds	<u>2,723</u>
Total		<u>\$ 352,723</u>

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

Note 13: OTHER SIGNIFICANT MATTERS

Conduit Debt

Financing Agreement

On March 1, 1997, the City of Brush provided for the advance refunding of the 1985 Series Industrial Development Revenue Bond with the issuance of a \$8,964,000, 1997 Series Industrial Development Revenue Bond (Training Centers International, Ltd.)

The bonds and interest appurtenant thereto do not constitute debt or indebtedness of the City under Colorado law and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Note 13: OTHER SIGNIFICANT MATTERS (continued)

Other Financing Agreement

On October 21, 1994, the City of Brush provided for the issuance of a \$6,065,000, 1994 Series Industrial Development Revenue Bond (Eben Ezer Lutheran Care Center).

On August 9, 2004, the City of Brush provided for the issuance of a \$5,450,000, 2004A and B Series Industrial Development Revenue Bond (Eben Ezer Lutheran Care Center). The issuance of these bonds was for the repayment of the 1994 Series Industrial Development Revenue Bond.

The bonds and interest appurtenant thereto do not constitute debt or indebtedness of the City under Colorado law and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

CITY OF BRUSH, COLORADO
Schedule of the City's Proportionate Share of the Net Pension Asset (1)
Police Statewide Defined Benefit Plan
December 31, 2016

	Measurement period ended	
	December 31,	
	2015	2014
City's proportion of the net pension asset	0.0978810%	0.0830756%
City's proportionate share of the net pension asset	\$ 1,725	\$ 93,757
City's covered-employee payroll	\$ 480,214	\$ 373,595
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.4%	25.1%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	106.8%

(1) Information is not available prior to the measurement period ended December 31, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF BRUSH, COLORADO
Schedule of City Contributions (1)
Police Statewide Defined Benefit Plan
December 31, 2016

	Measurement period ended December 31,	
	2015	2014
Contractually required contribution	\$ 38,417	\$ 29,887
Contributions in relation to the contractually required contribution	(38,417)	(29,887)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 480,214	\$ 373,595
Contributions as a percentage of covered-employee payroll	8.00%	8.00%

(1) Information is not available prior to the measurement period ended December 31, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF BRUSH, COLORADO
Schedule of the City's Proportionate Share of the Net Pension Liability (1)
Brush Combined Volunteer Fire Pension Plan
December 31, 2016

	Measurement period ended December 31,	
	2015	2014
City's proportion of the net pension liability	44%	44%
City's proportionate share of the net pension liability	\$ 229,944	\$ 218,325
City's covered-employee payroll	N/A	N/A
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	60.53%	62.37%

(1) Information is not available prior to the measurement period ended December 31, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF BRUSH, COLORADO
Schedule of City Contributions (1)
Brush Combined Volunteer Fire Pension Plan
December 31, 2016

	Measurement period ended December 31,	
	2015	2014
Contractually required contribution	\$ 17,316	\$ 18,687
Contributions in relation to the contractually required contribution	(17,316)	(18,687)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

(1) Information is not available prior to the measurement period ended December 31, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

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CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes				
Current property (Net of Treasurer's fees of \$12,131)	\$ 590,615	590,615	\$ 594,410	\$ 3,795
Specific ownership	82,000	82,000	80,643	(1,357)
Sales	1,350,000	1,350,000	1,431,639	81,639
Use	8,000	8,000	15,152	7,152
Gas occupation	10,000	10,000		(10,000)
Total	<u>2,040,615</u>	<u>2,040,615</u>	<u>2,121,844</u>	<u>81,229</u>
Franchise				
Gas and electric	200,000	200,000	173,189	(26,811)
Telephone	4,200	4,200	3,909	(291)
Television cable	35,000	35,000	40,707	5,707
Total	<u>239,200</u>	<u>239,200</u>	<u>217,805</u>	<u>(21,395)</u>
Licenses and permits				
Liquor	9,000	9,000	7,698	(1,302)
Amusement	600	600	660	60
Building and plumbing	16,000	16,000	27,769	11,769
Animal and miscellaneous	5,600	5,600	5,853	253
Total	<u>31,200</u>	<u>31,200</u>	<u>41,980</u>	<u>10,780</u>
Intergovernmental revenue				
Highway user's tax	140,000	140,000	144,654	4,654
Severance tax	30,000	30,000	19,641	(10,359)
Payment in lieu of taxes	6,000	6,000	6,780	780
Morgan County - road fund rebate	133,600	133,600	131,776	(1,824)
State Highway 34 maintenance	6,125	6,125	8,659	2,534
Total	<u>315,725</u>	<u>315,725</u>	<u>311,510</u>	<u>(4,215)</u>
Charges for services				
Zoning	500	500	1,350	850
Cemetery	32,500	32,500	34,471	1,971
Swimming pool	25,500	25,500	25,766	266
Other recreation activities	121,100	133,600	152,356	18,756
Picnic shelters	8,500	8,500	8,834	334
Camping fees	10,000	10,000	23,392	13,392
Total	<u>\$ 198,100</u>	<u>\$ 210,600</u>	<u>\$ 246,169</u>	<u>\$ 35,569</u>

CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (Continued)
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Fines and forfeits Court	\$ 50,150	50,150	\$ 55,978	\$ 5,828
Miscellaneous				
Interest	4,620	4,620	9,912	5,292
Farm income	2,040	2,040	2,331	291
Rural & Hillrose rent			6,150	6,150
Airport rent	500	500	235	(265)
Administrative fees	547,710	547,710	547,710	
Grant income	10,500	10,500	16,027	5,527
Special events	5,000	5,000		(5,000)
Donations	20,000	20,000	9,265	(10,735)
Miscellaneous	10,000	10,000	28,018	18,018
Total	600,370	600,370	619,648	19,278
Total Revenues	3,475,360	3,487,860	3,614,934	127,074
Expenditures (See Schedules)				
General government	1,113,415	1,113,415	983,606	129,809
Public safety	1,271,440	1,271,440	1,185,445	85,995
Public works	1,224,640	1,224,640	865,299	359,341
Culture and recreation	798,350	798,350	713,462	84,888
Total Expenditures	4,407,845	4,407,845	3,747,812	660,033
Revenues in Excess (Deficiency) of Expenditures	(932,485)	(919,985)	(132,878)	787,107
Other Financing Sources (Uses)				
Sale of property			11,039	11,039
Water Loan		(350,000)		350,000
Transfer In	284,190	442,155	66,656	(375,499)
Transfer Out	(216,050)	(456,050)	(240,000)	216,050
Total Other Financing Sources (Uses)	68,140	(363,895)	(162,305)	201,590
Net change in fund balance	\$ (864,345)	\$ (1,283,880)	(295,183)	\$ 988,697
Fund Balance - Beginning of year			2,724,547	
Fund Balance - End of year			\$ 2,429,364	

CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF EXPENDITURES -BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
General Government				
Legislative				
Personal services				
Council salaries	\$ 21,600	\$ 21,600	\$ 21,900	\$ (300)
Retirement and fringe benefits	1,880	1,880	1,745	135
Travel	6,500	6,500	6,622	(122)
Dues	200	200	329	(129)
Computer maintenance	1,200	1,200	1,070	130
Total	<u>31,380</u>	<u>31,380</u>	<u>31,666</u>	<u>(286)</u>
City Clerk				
Personal services				
Clerk's salary	55,630	55,630	55,528	102
Retirement and fringe benefits	15,290	15,290	15,232	58
Supplies	900	900	39	861
Telephone	50	50	13	37
Dues	320	320	340	(20)
Travel	2,000	2,000	693	1,307
Advertising	250	250		250
Records management	6,000	6,000	4,138	1,862
Total	<u>80,440</u>	<u>80,440</u>	<u>75,983</u>	<u>4,457</u>
Executive				
Personal services				
Mayor's salary	7,200	7,200	7,200	
Retirement and fringe benefits	590	590	562	28
Travel	1,500	1,500	172	1,328
Dues			84	(84)
Computer maintenance	200	200	200	
Total	<u>9,490</u>	<u>9,490</u>	<u>8,218</u>	<u>1,272</u>
City Administrator				
Personal services				
Salaries	95,820	95,820	95,820	
Retirement and fringe benefits	40,500	40,500	40,012	488
Telephone	1,700	1,700	1,693	7
Dues	3,100	3,100	3,155	(55)
Travel	3,700	3,700	1,300	2,400
Fuel and oil	850	850	223	627
Repairs and maintenance	650	650	421	229
Total	<u>\$ 146,320</u>	<u>\$ 146,320</u>	<u>\$ 142,624</u>	<u>\$ 3,696</u>

CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
General Government (continued)				
Administration				
Personal services				
Salaries	\$ 155,385	\$ 155,385	\$ 155,019	\$ 366
Retirement and fringe benefits	56,665	56,665	61,145	(4,480)
Supplies	16,500	16,500	14,891	1,609
Professional services	117,500	117,500	86,460	31,040
Pension contributions	16,925	16,925	16,662	263
Telephone	5,500	5,500	5,688	(188)
Utilities	12,000	12,000	5,609	6,391
Dues	4,000	4,000	3,466	534
Travel and training	4,000	4,000	4,094	(94)
Advertising	4,500	4,500	5,970	(1,470)
Insurance and bonds - general	47,895	47,895	32,347	15,548
Radio and computer maintenance	8,600	8,600	8,117	483
Contributions	23,500	23,500	33,232	(9,732)
Employee incentive program	13,000	13,000	19,166	(6,166)
Repairs and maintenance - auto	500	500	182	318
Total	<u>486,470</u>	<u>486,470</u>	<u>452,048</u>	<u>34,422</u>
Community Development				
Personal services				
Salaries	83,270	83,270	82,574	696
Retirement and fringe benefits	18,770	18,770	18,697	73
Supplies	1,800	1,800	2,062	(262)
Professional services	36,000	36,000	20,851	15,149
Telephone	300	300	313	(13)
Dues	1,500	1,500	1,372	128
Travel and training	3,400	3,400	2,296	1,104
Building and radio maintenance	7,310	7,310	12,156	(4,846)
Tree board	5,000	5,000	5,018	(18)
Community outreach	96,850	96,850	51,805	45,045
Fuel and oil - auto	550	550	191	359
Repairs and maintenance - auto	300	300	81	219
Capital outlay - Buildings	21,000	21,000		21,000
Total	<u>276,050</u>	<u>276,050</u>	<u>197,416</u>	<u>78,634</u>
Marketing				
Personal services				
Salaries	39,630	39,630	39,630	
Retirement and fringe benefits	22,685	22,685	22,624	61
Supplies	2,300	2,300	1,246	1,054
Telephone	250	250	60	190
Dues	775	775	250	525
Travel and training	3,500	3,500	2,368	1,132
Advertising	3,000	3,000	260	2,740
Economic Development	10,200	10,200	9,034	1,166
Fuel and oil - auto	600	600	179	421
Repairs and maintenance - auto	325	325		325
Total	<u>83,265</u>	<u>83,265</u>	<u>75,651</u>	<u>7,614</u>
Total General Government	<u>\$ 1,113,415</u>	<u>\$ 1,113,415</u>	<u>\$ 983,606</u>	<u>\$ 129,809</u>

CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Public Safety				
Police				
Personal services				
Salaries - permanent	\$ 562,580	\$ 562,580	\$ 535,918	\$ 26,662
Salaries - clerical and code enforcer	89,680	89,680	90,185	(505)
Retirement and fringe benefits	282,210	282,210	270,377	11,833
Supplies	30,000	30,000	20,384	9,616
Legal fees	24,000	24,000	23,606	394
Professional services	6,000	6,000	3,933	2,067
Telephone	5,500	5,500	4,165	1,335
Utilities	13,000	13,000	5,807	7,193
Dues	1,400	1,400	2,074	(674)
Travel and training	16,000	16,000	20,424	(4,424)
Advertising	1,500	1,500	2,115	(615)
Repairs and maintenance - general	25,000	25,000	12,546	12,454
Recruiting	1,800	1,800	462	1,338
Animal control	12,275	12,275	5,304	6,971
Investigations	12,000	12,000	16,828	(4,828)
School liaison	1,700	1,700	306	1,394
Policing and emergency services	3,000	3,000	4,474	(1,474)
Fuel and oil	34,000	34,000	17,719	16,281
Repairs and maintenance - vehicles	18,500	18,500	14,517	3,983
Capital outlay - vehicles	40,000	40,000	32,976	7,024
Total	<u>1,180,145</u>	<u>1,180,145</u>	<u>1,084,120</u>	<u>96,025</u>
Fire Department				
Personal services				
Fringe benefits	795	795	13,324	(12,529)
Repairs, maintenance and supplies	27,650	27,650	37,152	(9,502)
Telephone	4,000	4,000	3,869	131
Utilities	8,500	8,500	5,943	2,557
Professional services	1,500	1,500	90	1,410
Dues	600	600	1,975	(1,375)
Travel and training	10,000	10,000	18,007	(8,007)
Building maintenance	7,000	7,000	2,529	4,471
Fireworks	10,000	10,000	10,049	(49)
Radio and computer maintenance	7,250	7,250	3,624	3,626
Fuel and oil	5,000	5,000	1,405	3,595
Repairs and maintenance - vehicles	9,000	9,000	3,358	5,642
Total	<u>91,295</u>	<u>91,295</u>	<u>101,325</u>	<u>(10,030)</u>
Total Public Safety	<u>\$ 1,271,440</u>	<u>\$ 1,271,440</u>	<u>\$ 1,185,445</u>	<u>\$ 85,995</u>

CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Public Works				
Streets				
Personal services				
Salaries	\$ 246,495	\$ 246,495	\$ 231,562	\$ 14,933
Retirement and fringe benefits	164,690	164,690	139,292	25,398
Supplies	31,150	31,150	13,979	17,171
Professional services	3,000	3,000	3,600	(600)
Medical	1,000	1,000	640	360
Telephone	900	900	1,071	(171)
Electrical - street lights	105,000	105,000	94,533	10,467
Dues	400	400		400
Travel and training	15,000	15,000	8,108	6,892
Advertising	200	200	92	108
Building maintenance	9,800	9,800	8,071	1,729
Radio maintenance	800	800		800
Street repair	37,000	37,000	20,111	16,889
Forestry	4,000	4,000	2,250	1,750
Alley maintenance	1,000	1,000		1,000
Sidewalk maintenance	2,000	2,000	291	1,709
Pest and weed abatement	42,000	42,000	26,816	15,184
Fuel and oil	38,000	38,000	15,239	22,761
Repairs and maintenance - vehicle	59,500	59,500	45,554	13,946
Christmas lights	800	800	6	794
Snow removal	12,500	12,500	2,902	9,598
Capital Outlay - Streets and equipment	260,000	260,000	98,223	161,777
Total	<u>1,035,235</u>	<u>1,035,235</u>	<u>712,340</u>	<u>322,895</u>
Airport Facilities				
Supplies	5,000	5,000	262	4,738
Electric	800	800	451	349
Building maintenance	16,000	16,000	7,679	8,321
Insurance	3,100	3,100	2,125	975
Runway repairs	12,000	12,000		12,000
Total	<u>36,900</u>	<u>36,900</u>	<u>10,517</u>	<u>26,383</u>
Cemetery				
Personal services				
Salaries	61,430	61,430	61,506	(76)
Retirement and fringe benefits	31,025	31,025	27,181	3,844
Supplies	21,450	21,450	18,788	2,662
Medical	400	400	526	(126)
Utilities	5,200	5,200	5,029	171
Dues	100	100	75	25
Travel and training	200	200		200
Advertising	600	600	185	415
Foundations and burial service	3,000	3,000	1,202	1,798
Fuel and oil	3,000	3,000	3,430	(430)
Repairs and maintenance	4,100	4,100		4,100
Capital Outlay - Equipment	22,000	22,000	24,520	(2,520)
Total	<u>152,505</u>	<u>152,505</u>	<u>142,442</u>	<u>10,063</u>
Total Public Works	<u>\$ 1,224,640</u>	<u>\$ 1,224,640</u>	<u>\$ 865,299</u>	<u>\$ 359,341</u>

CITY OF BRUSH, COLORADO

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Culture and Recreation				
Swimming pool and other				
Personal services				
Salaries	\$ 265,560	\$ 265,560	\$ 238,203	\$ 27,357
Retirement and fringe benefits	59,500	59,500	53,923	5,577
Supplies	3,900	3,900	1,789	2,111
Telephone	2,000	2,000	1,682	318
Utilities	4,000	4,000	2,497	1,503
Dues	500	500	260	240
Travel and training	3,000	3,000	475	2,525
Advertising	1,000	1,000	2,515	(1,515)
Building and field maintenance	22,000	22,000	12,469	9,531
Copy/Computer maintenance	4,000	4,000	2,709	1,291
Adult summer programs	6,050	6,050	3,245	2,805
Youth summer programs	33,550	33,550	42,776	(9,226)
Adult winter programs	575	575	142	433
Youth winter programs	20,550	20,550	12,581	7,969
Swimming pool programs	43,150	43,150	22,022	21,128
Special events programs	66,000	66,000	73,382	(7,382)
Fuel and oil	1,400	1,400	570	830
Repairs and maintenance - vehicle	1,250	1,250	11	1,239
Total	537,985	537,985	471,251	66,734
Parks				
Personal services				
Salaries	112,825	112,825	117,621	(4,796)
Retirement and fringe benefits	36,440	36,440	43,167	(6,727)
Supplies	550	550	152	398
Medical	800	800	621	179
Utilities and telephone	34,000	34,000	34,026	(26)
Dues	500	500		500
Advertising	750	750	78	672
Travel and training	1,500	1,500		1,500
Building and grounds maintenance	32,500	32,500	41,839	(9,339)
Fuel and oil	5,500	5,500	3,468	2,032
Repairs and maintenance - vehicle	6,000	6,000	1,239	4,761
Capital Outlay - Vehicle	29,000	29,000		29,000
Total	260,365	260,365	242,211	18,154
Total Culture and Recreation	\$ 798,350	\$ 798,350	\$ 713,462	\$ 84,888

CITY OF BRUSH, COLORADO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1: BUDGETARY DATA

Annual budgets are established for all funds of the City as required by its local code. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise funds in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

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

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

- On or before October 15th of each year, or in conformity with the general state law, the budget is submitted to the City council a budget which shall be a complete financial plan for the ensuing fiscal year.
- At the same time the budget is submitted, an appropriation ordinance making a levy in mills upon all taxable property within the City for the ensuing fiscal year.
- A public hearing on the budget shall be held by City council two weeks after its submission. Notice of the time and place of said hearing shall be published within three days after the submission of the budget.
- Prior to December 15th, or in conformity with the general state law, the City council shall adopt the budget and the tax levy ordinance.
- Any portion of any annual appropriation remaining unexpended and unencumbered at the close of the budget year shall be declared surplus and included in the budget for the ensuing year as those appropriations lapse at year-end.

CITY OF BRUSH, COLORADO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 2: FACTORS AFFECTING TRENDS IN AMOUNTS REPORTED IN THE PENSION SCHEDULES – POLICE STATEWIDE DEFINED BENEFIT PLAN

Changes in plan provisions. The plan provisions have not changed since the prior valuation. The member contribution rates will increase in 2016 as a result of the member election.

Benefit adjustments. Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Changes of assumptions. Beginning in the January 1, 2014 actuarial valuation, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

CITY OF BRUSH, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

ASSETS

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds	
	Special Surplus and Deficiency Fund	Conservation Trust Fund	Police Forfeiture and Confiscation Fund	Capital Improvement Fund	Fire Equipment Improvement Fund	Joslin Needham Fund		Cemetery Perpetual Care Fund
Assets								
Cash	\$ 67,138	\$ 16,407	\$ 19,632	\$ 111,622	\$ 92,537	\$ 113,909	\$ 35,248	\$ 456,493
Investments	60,000			601,103	385,000			1,046,103
Accounts receivable				1,177	1		1,355	2,533
Accrued interest revenue	256			469	1,257		27	2,009
Property tax receivable					39,611			39,611
Due from other funds				2,723				2,723
Sales tax receivable				46,383	30,484			76,867
Total Assets	\$ 127,394	\$ 16,407	\$ 19,632	\$ 763,477	\$ 548,890	\$ 113,909	\$ 36,630	\$ 1,626,339

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities								
Accounts payable						\$ 3,600		\$ 3,600
Due to other funds						2,723		2,723
Unearned revenues				\$ 11,624				11,624
Total Liabilities				11,624		6,323		17,947
Deferred Inflows of Resources								
Deferred property tax revenues					\$ 39,611			39,611
Total Deferred Inflows of Resources					39,611			39,611
Fund Balance								
Restricted for emergency	\$ 126,000							126,000
Restricted for park improvements		\$ 16,407						16,407
Restricted for police equipment			\$ 13,339					13,339
Restricted for police evidence			6,293					6,293
Restricted for street improvements				751,853				751,853
Restricted for fire equipment					509,279			509,279
Committed for grant projects								
Committed for park improvements						107,586		107,586
Committed for cemetery maintenance							\$ 36,630	36,630
Committed for emergency	1,394							1,394
Total Fund Balance	127,394	16,407	19,632	751,853	509,279	107,586	36,630	1,568,781
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 127,394	\$ 16,407	\$ 19,632	\$ 763,477	\$ 548,890	\$ 113,909	\$ 36,630	\$ 1,626,339

CITY OF BRUSH, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
	Special Surplus and Deficiency Fund	Conservation Trust Fund	Police Forfeiture and Confiscation Fund	Capital Improvement Fund	Fire Equipment Improvement Fund	Joslin Needham Fund	Cemetery Perpetual Care Fund	
Revenues - Classified by major source								
Taxes								
General property					\$ 40,547			\$ 40,547
Cigarette Sales				\$ 6,079				6,079
Interest	\$ 440	\$ 2	\$ 8	289,445	192,033	\$ 154	\$ 16	481,478
Evidence seizures			6,293	4,350	1,693			6,663
Forfeitures			131					6,293
Equipment rental					1			131
Perpetual care sales							10,610	1
Contribution					2,500	407,200	6,888	10,610
Miscellaneous				4,586				416,588
Grant income					36,463			4,586
Intergovernmental								36,463
Colorado lottery funds		60,609						60,609
Total Revenues	<u>440</u>	<u>60,611</u>	<u>6,432</u>	<u>304,460</u>	<u>273,237</u>	<u>407,354</u>	<u>17,514</u>	<u>1,070,048</u>
Expenditures - Classified by function								
Noncapital outlay		10,781		99,466		97,998		208,245
Capital outlay		36,660		254,110	120,185	206,214	4,300	621,469
Total Expenditures		<u>47,441</u>		<u>353,576</u>	<u>120,185</u>	<u>304,212</u>	<u>4,300</u>	<u>829,714</u>
Revenues in Excess (Deficiency) of Expenditures	<u>440</u>	<u>13,170</u>	<u>6,432</u>	<u>(49,116)</u>	<u>153,052</u>	<u>103,142</u>	<u>13,214</u>	<u>240,334</u>
Other Financing Sources (Uses)								
Transfers out							(16)	(16)
Total Other Financing Sources (Uses)							<u>(16)</u>	<u>(16)</u>
Net change in fund balance	440	13,170	6,432	(49,116)	153,052	103,142	13,198	240,318
Fund Balance - Beginning of year	<u>126,954</u>	<u>3,237</u>	<u>13,200</u>	<u>800,969</u>	<u>356,227</u>	<u>4,444</u>	<u>23,432</u>	<u>1,328,463</u>
Fund balance - End of year	<u>\$ 127,394</u>	<u>\$ 16,407</u>	<u>\$ 19,632</u>	<u>\$ 751,853</u>	<u>\$ 509,279</u>	<u>\$ 107,586</u>	<u>\$ 36,630</u>	<u>\$ 1,568,781</u>

CITY OF BRUSH, COLORADO

SPECIAL SURPLUS AND DEFICIENCY FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Interest	\$ 300	\$ 440	\$ 140
Net change in fund balance	<u>\$ 300</u>	440	<u>\$ 140</u>
Fund balance at beginning of year		<u>126,954</u>	
Fund balance at end of year		<u>\$ 127,394</u>	

CITY OF BRUSH, COLORADO

CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues				
Colorado lottery funds	\$ 52,500	\$ 52,500	\$ 60,609	\$ 8,109
Interest	100	100	2	(98)
Total Revenues	<u>52,600</u>	<u>52,600</u>	<u>60,611</u>	<u>8,011</u>
Expenditures				
Culture and Recreation				
Noncapital outlay			10,781	(10,781)
Capital outlay - park improvements	<u>29,000</u>	<u>56,000</u>	<u>36,660</u>	<u>19,340</u>
Total Expenditures	<u>29,000</u>	<u>56,000</u>	<u>47,441</u>	<u>8,559</u>
Net change in fund balance	<u>\$ 23,600</u>	<u>\$ (3,400)</u>	13,170	<u>\$ 16,570</u>
Fund balance at beginning of year			<u>3,237</u>	
Fund balance at end of year			<u>\$ 16,407</u>	

CITY OF BRUSH, COLORADO

POLICE FORFEITURE CONFISCATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 20	\$ 8	\$ (12)
Evidence seizures		6,293	6,293
Forfeitures	200	131	(69)
	<u>220</u>	<u>6,432</u>	<u>6,212</u>
Total Revenue	220	6,432	6,212
Expenditures			
Public safety			
Drug forfeiture	10,000		10,000
	<u>10,000</u>	<u> </u>	<u>10,000</u>
Total Expenditures	10,000		10,000
Net change in fund balance	<u>\$ (9,780)</u>	6,432	<u>\$ 16,212</u>
Fund balance at beginning of year		<u>13,200</u>	
Fund balance at end of year		<u>\$ 19,632</u>	

CITY OF BRUSH, COLORADO

CAPITAL IMPROVEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Cigarette tax	\$ 5,800	\$ 6,079	\$ 279
Sales tax	270,000	289,445	19,445
Miscellaneous		4,586	4,586
Interest	1,025	4,350	3,325
	<u>276,825</u>	<u>304,460</u>	<u>27,635</u>
Total Revenues			
Expenditures			
Public works			
Noncapital outlay		99,466	(99,466)
Street and drainage	847,500	254,110	593,390
	<u>847,500</u>	<u>353,576</u>	<u>493,924</u>
Total Expenditures			
Net change in fund balance	<u>\$ (570,675)</u>	(49,116)	<u>\$ 521,559</u>
Fund balance at beginning of year		<u>800,969</u>	
Fund balance at end of year		<u>\$ 751,853</u>	

CITY OF BRUSH, COLORADO

FIRE EQUIPMENT IMPROVEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Property tax (Net of Treasurer's fees of \$827)	\$ 40,290	\$ 40,547	\$ 257
Sales tax	180,000	192,033	12,033
Equipment & bldg rental	6,150	1	(6,149)
Grant income	541,463	36,463	(505,000)
Contributions		2,500	2,500
Joint venture	252,500		(252,500)
Interest	350	1,693	1,343
	<u>1,020,753</u>	<u>273,237</u>	<u>(747,516)</u>
Total Revenues			
Expenditures			
Capital outlay			
Building	850,000		850,000
Equipment	205,000	120,185	84,815
	<u>1,055,000</u>	<u>120,185</u>	<u>934,815</u>
Total Expenditures			
Net change in fund balance	<u>\$ (34,247)</u>	153,052	<u>\$ 187,299</u>
Fund balance at beginning of year		<u>356,227</u>	
Fund balance at end of year		<u>\$ 509,279</u>	

CITY OF BRUSH, COLORADO

JOSLIN NEEDHAM FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Interest	\$ 200	\$ 200	\$ 154	\$ (46)
Contributions		307,200	407,200	100,000
Total Revenues	200	307,400	407,354	99,954
Expenditures				
Culture and Recreation				
Noncapital outlay			97,998	(97,998)
Capital outlay		307,200	206,214	100,986
Total Expenditures		307,200	304,212	2,988
Net change in fund balance	<u>\$ 200</u>	<u>\$ 200</u>	103,142	<u>\$ 102,942</u>
Fund balance at beginning of year			<u>4,444</u>	
Fund balance at end of year			<u>\$ 107,586</u>	

CITY OF BRUSH, COLORADO

CEMETERY PERPETUAL CARE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Perpetual care sales	\$ 8,000	\$ 8,000	\$ 10,610	\$ 2,610
Contributions	1,000	11,000	6,888	(4,112)
Interest	1,500	1,500	16	(1,484)
Total Revenues	10,500	20,500	17,514	(2,986)
Expenditures				
Public works				
Repairs and maintenance	1,472	11,472		11,472
Capital outlay			4,300	(4,300)
Total Expenditures	1,472	11,472	4,300	7,172
Revenues in Excess of Expenditures	9,028	9,028	13,214	4,186
Other Financing Uses				
Transfers Out	(1,500)	(1,500)	(16)	1,484
Net change in fund balance	<u>\$ 7,528</u>	<u>\$ 7,528</u>	13,198	<u>\$ 5,670</u>
Fund balance at beginning of year			<u>23,432</u>	
Fund balance at end of year			<u>\$ 36,630</u>	

CITY OF BRUSH, COLORADO

WATER FUND
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual (Budget Basis)	Variance- Favorable (Unfavorable)
Operating Revenue				
Water services	\$ 842,000	\$ 842,000	\$ 988,585	\$ 146,585
Administrative fees	26,000	26,000	29,852	3,852
Miscellaneous	1,000	1,000	5,609	4,609
Total Operating Revenue	869,000	869,000	1,024,046	155,046
Operating Expense				
Personal services				
Salaries	222,105	222,105	228,955	(6,850)
Retirement and fringe benefits	88,745	88,745	86,331	2,414
Supplies	23,350	23,350	18,742	4,608
Professional services	274,070	274,070	209,271	64,799
Telephone	1,500	1,500	844	656
Lab fees	20,000	20,000	7,090	12,910
Medical	350	350	325	25
Utilities	60,000	60,000	49,237	10,763
Association dues	600	600	400	200
Travel and training	3,000	3,000	2,478	522
Computer & radio maintenance	11,000	11,000	8,210	2,790
Advertising	1,500	1,500	1,079	421
Building	5,000	5,000	370	4,630
Licenses/permits	35,000	35,000	31,027	3,973
Insurance - general	19,000	19,000	23,765	(4,765)
Well electricity	40,000	40,000	29,560	10,440
Water system maintenance & materials	50,000	50,000	34,479	15,521
Line maintenance	20,000	20,000		20,000
Noncapital outlay			6,593	(6,593)
Capital outlay	277,500	277,500	289,268	(11,768)
Land		505,200	502,258	2,942
Fuel and oil	12,000	12,000	5,891	6,109
Repairs and maintenance - vehicle	6,000	6,000	3,454	2,546
Total Operating Expense	1,170,720	1,675,920	1,539,627	136,293
Operating income (loss)	(301,720)	(806,920)	(515,581)	291,339
Nonoperating Revenue (Expense)				
Interest	3,000	3,000	4,945	1,945
Water rights and credits leases	7,000	7,000	176,496	169,496
Water capacity and development fee	130,000	130,000	32,508	(97,492)
Farm income	25,550	25,550	29,376	3,826
Rental income	1,800	1,800	10,804	9,004
DOW lease			3,600	3,600
Easment	7,700	7,700	6,071	(1,629)
Loan Proceeds		350,000		(350,000)
Water conservation	(40,000)	(40,000)	(12,090)	27,910
Farm expense	(15,000)	(15,000)	(9,132)	5,868
Total Nonoperating Revenue (Expense)	120,050	470,050	242,578	(227,472)

CITY OF BRUSH, COLORADO

WATER FUND
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (cont.)
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
Income (Loss) before transfers and capital contributions	(181,670)	(336,870)	(273,003)	63,867
Transfers out	(18,965)	(18,965)	(18,965)	
Capital contributions - tap fees	<u>1,000</u>	<u>1,000</u>	<u>6,100</u>	<u>5,100</u>
Change in net position	<u>\$ (199,635)</u>	<u>\$ (354,835)</u>	(285,868)	<u>\$ 68,967</u>
Adjustment to GAAP Basis				
Add capital outlay			791,526	
Deduct depreciation			<u>(227,215)</u>	
Change in net position - GAAP Basis			278,443	
Net position at beginning of year			<u>7,040,048</u>	
Net position at end of year			<u>\$ 7,318,491</u>	

CITY OF BRUSH, COLORADO

TRASH AND GARBAGE FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
Operating Revenue			
Trash services	\$ 495,000	\$ 504,535	\$ 9,535
Sale of cans	5,000	8,121	3,121
Miscellaneous	8,000	13,163	5,163
Total Operating Revenue	<u>508,000</u>	<u>525,819</u>	<u>17,819</u>
Operating Expense			
Personal services			
Salaries	132,685	133,267	(582)
Retirement and fringe benefits	77,225	74,034	3,191
Supplies	16,035	14,803	1,232
Professional services	85,555	85,455	100
Medical	800	301	499
Travel and training	600	45	555
Maintenance and telephone	9,300	9,235	65
Advertising	1,000	449	551
Insurance - general	1,000	277	723
Purchase of trash containers	20,000	5,860	14,140
Landfill contract	95,000	102,258	(7,258)
Noncapital outlay		646	(646)
Capital outlay	46,000	43,514	2,486
Fuel and oil	25,000	11,363	13,637
Repairs and maintenance - vehicle	52,000	15,527	36,473
Total Operating Expense	<u>562,200</u>	<u>497,034</u>	<u>65,166</u>
Operating Income (Loss)	(54,200)	28,785	82,985
Nonoperating Revenue			
Interest	500	866	366
Total Nonoperating Revenue	<u>500</u>	<u>866</u>	<u>366</u>
Net income (loss) before transfers	(53,700)	29,651	83,351
Transfer out	<u>(10,325)</u>	<u>(10,325)</u>	
Change in net position	<u>\$ (64,025)</u>	19,326	<u>\$ 83,351</u>
Adjustment to GAAP Basis			
Add capital outlay		43,514	
Deduct depreciation		<u>(19,270)</u>	
Change in net position - GAAP Basis		43,570	
Net position at beginning of year		<u>334,386</u>	
Net position at end of year		<u>\$ 377,956</u>	

CITY OF BRUSH, COLORADO

WASTE WATER FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original and Final Budget	Actual (Budget Basis)	Variance- Favorable (Unfavorable)
Operating Revenue			
Sewer fees	\$ 1,500,000	\$ 1,522,597	\$ 22,597
Miscellaneous	1,000	1,875	875
Administrative fees	75		(75)
Total Operating Revenue	1,501,075	1,524,472	23,397
Operating Expense			
Personal services			
Salaries	147,655	146,019	1,636
Retirement and fringe benefits	68,225	68,298	(73)
Supplies	33,100	10,340	22,760
Professional services	374,350	321,083	53,267
Medical	1,000	160	840
Telephone	2,300	2,945	(645)
Utilities	125,000	81,933	43,067
Association dues	1,000	1,296	(296)
Travel and training	7,000	3,498	3,502
Computer and radio maintenance	8,050	6,729	1,321
Advertising	500		500
Insurance - general	44,890	56,311	(11,421)
Permits	20,890	16,862	4,028
Repairs and maintenance	100,000	27,728	72,272
Sanitary sewer cleaning	75,000	119,422	(44,422)
Manholes	20,000		20,000
Sewer lines	20,000	5,225	14,775
Capital outlay	138,500	88,235	50,265
Fuel and oil	9,000	4,554	4,446
Repairs and maintenance - vehicle	3,600	1,689	1,911
Total Operating Expense	1,200,060	962,327	237,733
Operating Income (Loss)	301,015	562,145	261,130
Nonoperating Revenue (Expense)			
Interest	3,000	5,291	2,291
Surcharge fees	5,000	25,264	20,264
Rental income	10,000	21,600	11,600
Farm income	6,890	18,188	11,298
Farm expense	(700)	(29,785)	(29,085)
Note payments	(628,470)	(628,466)	4
Total Nonoperating Revenue (Expense)	(604,280)	(587,908)	16,372
Loss before transfers and capital contributions	(303,265)	(25,763)	277,502

CITY OF BRUSH, COLORADO

WASTE WATER FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (cont.)
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
Transfers out	(33,995)	(33,995)	
Capital contributions - tap fees	<u>6,000</u>	<u>15,750</u>	<u>9,750</u>
Change in net position	<u>\$ (331,260)</u>	(44,008)	<u>\$ 287,252</u>
Adjustment to GAAP Basis			
Add capital outlay		88,235	
Add principal payments		425,000	
Add amortized premium		19,105	
Add accrued interest		1,761	
Deduct depreciation		<u>(312,319)</u>	
Change in net position - GAAP Basis		177,774	
Net position at beginning of year		<u>6,306,332</u>	
Net position at end of year		<u>\$ 6,484,106</u>	

CITY OF BRUSH, COLORADO

STORM WATER FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL

For the Year Ended December 31, 2016

	Original and Final Budget	Actual (Budget Basis)	Variance- Favorable (Unfavorable)
Operating Revenue			
Service Fees	\$ 309,000	\$ 308,223	\$ (777)
Storm water assessment	3,160	3,159	(1)
Miscellaneous	100	10	(90)
Total Operating Revenue	<u>312,260</u>	<u>311,392</u>	<u>(868)</u>
Operating Expense			
Personal services			
Salaries	35,690	33,632	2,058
Retirement and fringe benefits	17,800	15,064	2,736
Supplies	3,200	2,004	1,196
Professional services	31,085	28,267	2,818
Medical	100		100
Travel and training	1,700	3	1,697
Maintenance and telephone	3,560	3,183	377
Advertising	200		200
Insurance - general	3,080	3,308	(228)
Sewer cleaning	25,000	24,930	70
Line maintenance	6,700	1,154	5,546
Pond maintenance	5,000	1,800	3,200
Assessment maintenance	7,000	6,366	634
Curb & gutter maintenance	5,000	1,303	3,697
Noncapital outlay		75	(75)
Capital outlay	1,517,500	1,342,249	175,251
Gas and Oil	9,000	3,775	5,225
Repairs and maintenance - vehicle	13,700	6,246	7,454
Total Operating Expense	<u>1,685,315</u>	<u>1,473,359</u>	<u>211,956</u>
Operating Income (loss)	(1,373,055)	(1,161,967)	211,088
Nonoperating Revenue			
Grant Income	942,500	762,000	(180,500)
Interest	500	2,872	2,372
Total Nonoperating Revenue	<u>943,000</u>	<u>764,872</u>	<u>(178,128)</u>
Income (loss) before transfers	(430,055)	(397,095)	32,960
Transfer out	<u>(3,355)</u>	<u>(3,355)</u>	
Change in net position	<u>\$ (433,410)</u>	<u>(400,450)</u>	<u>\$ 32,960</u>
Adjustment to GAAP Basis			
Add capital outlay		1,342,249	
Deduct depreciation		<u>(71,347)</u>	
Change in net position - GAAP Basis		870,452	
Net position at beginning of year		<u>1,459,963</u>	
Net position at end of year		<u>\$ 2,330,415</u>	

CITY OF BRUSH, COLORADO

GOLF COURSE FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual (Budget Basis)	Variance- Favorable (Unfavorable)
Operating Revenue				
Membership dues	\$ 75,000	\$ 75,000	\$ 51,967	\$ (23,033)
Barn/Cart fees	25,000	25,000	18,196	(6,804)
Cart Storage			4,695	4,695
Trail and license			6,190	6,190
Golf course fees	27,000	27,000	31,042	4,042
Restaurant income	80,000	80,000	131,084	51,084
Bar income	40,000	60,000	84,780	24,780
Miscellaneous	500	500	1,319	819
Total Operating Revenue	<u>247,500</u>	<u>267,500</u>	<u>329,273</u>	<u>61,773</u>
Operating Expense				
Personal services				
Salaries	106,740	186,740	206,857	(20,117)
Retirement and fringe benefits	10,085	10,085	20,633	(10,548)
Supplies	2,400	2,400	2,049	351
Grounds maintenance	36,500	67,100	69,425	(2,325)
Professional services	5,000	5,000	5,651	(651)
Utilities	26,700	32,700	35,932	(3,232)
Building maintenance	7,000	7,000	5,637	1,363
Advertising	4,500	4,500	7,981	(3,481)
Insurance - general	2,000	2,000		2,000
Licenses/Permits	3,500	3,500	1,160	2,340
Cart repairs and rental	1,600	1,600		1,600
Restaurant	25,000	153,000	154,122	(1,122)
Bar	25,000	40,000	39,305	695
Noncapital outlay			666	(666)
Capital outlay	39,500	39,500		39,500
Gas and Oil	3,000	3,000	2,054	946
Repairs and maintenance - vehicle	4,000	4,000	914	3,086
Total Operating Expense	<u>302,525</u>	<u>562,125</u>	<u>552,386</u>	<u>9,739</u>
Operating Income (Loss)	(55,025)	(294,625)	(223,113)	71,512
Nonoperating Revenue (Expense)				
Tournament income	6,000	6,000	14,521	8,521
Building/Club rental	3,250	3,250	859	(2,391)
Merchandise sales	15,000	15,000	5,785	(9,215)
Handicap income	3,000	3,000	4,500	1,500
Interest	50	50	2	(48)
Merchandise	(11,000)	(11,000)	(8,616)	2,384
Handicap dues	(3,000)	(3,000)	(3,244)	(244)
Total Nonoperating Revenue (Expense)	<u>13,300</u>	<u>13,300</u>	<u>13,807</u>	<u>507</u>
Loss before transfers and capital contributions	(41,725)	(281,325)	(209,306)	72,019

CITY OF BRUSH, COLORADO

GOLF COURSE FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (cont.)
 BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
Capital contributions			246,453	246,453
Transfer in		240,000	240,000	
Change in net position	<u>\$ (41,725)</u>	<u>\$ (41,325)</u>	277,147	<u>\$ 318,472</u>
Adjustment to GAAP Basis				
Deduct depreciation			<u>(31,243)</u>	
Change in net position - GAAP Basis			245,904	
Net position at beginning of year			<u>254,238</u>	
Net position at end of year			<u>\$ 500,142</u>	

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

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

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

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Brush!
	YEAR ENDING : December 2016

This Information From The Records Of (example - City of _ or County of _) City of Brush!	Prepared By: JoAnne Gossclink Phone: (970) 842-5001
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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	
3. Other local imposts (from page 2)	1,120,041
4. Miscellaneous local receipts (from page 2)	36,571
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)	1,156,612
B. Private Contributions	
C. Receipts from State government (from page 2)	144,327
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	1,300,939

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	353,576
2. Maintenance:	466,383
3. Road and street services:	
a. Traffic control operations	94,601
b. Snow and ice removal	2,902
c. Other	26,816
d. Total (a. through c.)	124,319
4. General administration & miscellaneous	26,965
5. Highway law enforcement and safety	329,696
6. Total (1 through 5)	1,300,939
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)	1,300,939

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
	0	1,300,939	1,300,939	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	167,385	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	36,571
1. Sales Taxes	855,732	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	96,924	g. Other Misc. Receipts	
6. Total (1. through 5.)	952,656	h. Other	
c. Total (a. + b.)	1,120,041	i. Total (a. through h.)	36,571
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	144,327	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify) - Faster Transit Bill		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	144,327	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		353,576	353,576
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	353,576	353,576
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	353,576	353,576
			(Carry forward to page 1)

Notes and Comments:

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Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

CITY OF BRUSH, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of the Interior:</u>				
Distribution of Receipts to State and Local Governments	15.227	F14MLG7300	\$ -	\$ 762,000
<u>U.S. Department of Homeland Security:</u>				
Assistance to Firefighters Grant	97.044		-	<u>36,463</u>
Total Expenditures of Federal Awards				<u>\$ 798,463</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF BRUSH, COLORADO
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Note A – Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Brush, Colorado, under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of City of Brush, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Brush, Colorado.

Note B – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the modified accrual or full accrual basis of accounting, as appropriate. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect cost rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of City Council
City of Brush
Brush, Colorado

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brush (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 18, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
August 18, 2017



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Mayor and Members of City Council
City of Brush
Brush, Colorado

Report on Compliance of Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
August 18, 2017

CITY OF BRUSH, COLORADO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Summary of auditors' results

1. The auditors' report expresses an unmodified opinion on the financial statements of City of Brush (the City).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs of the City expresses an unmodified opinion on all major federal award programs.
6. The audit did not disclose any findings relative to the major federal award programs of the City.
7. The programs tested as major programs included:

Distribution of Receipts to State and Local Governments	CFDA No. 15.227
---	-----------------
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

Findings – financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and questioned costs – major federal award programs audit

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

Prior year findings

There were no findings or questioned costs reported for the year ended December 31, 2015.