

City of Holyoke, Colorado
Financial Statements
For the Year ended December 31, 2016



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Independent Auditors' Report

To the Honorable Mayor and Members of City Council
City of Holyoke
Holyoke, 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 Holyoke (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 conducted 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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 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 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 May 19, 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 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
May 19, 2017

City of Holyoke, Colorado

Management's Discussion and Analysis

December 31, 2016

As management of the City of Holyoke (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the 2016 fiscal year by \$18,194,979 (net position). Of this amount, \$16,059,435 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased in the 2016 fiscal year by \$1,892,186 which was due to an increase in the governmental activities of \$1,725,386 and an increase in the business-type activities of \$166,800.
- At December 31, 2016, the unreserved fund balance of the General Fund was \$1,567,994 or approximately 95% of the total fiscal year 2016 General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 required supplementary information and 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's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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).

Overview of the Financial Statements (continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, streets, airport and culture and recreation. The business-type activities of the City include electric distribution, water system, sewer system and sanitation.

The government-wide financial statements can be found on pages 10 through 13 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 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. Governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The City's governmental funds include the General Fund and several Special Revenue Funds.

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 Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with their budget.

The basic governmental fund financial statements can be found on pages 14 through 17.

Proprietary Funds: The City maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric distribution operation, water system, sewer system, and sanitation service.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 18 through 23 of this report.

Overview of the Financial Statements (continued)

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 24 through 51 of this report.

Fire and Police Pension Funds: Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. This information can be found on pages 53 through 57.

Other Information: The City adopts annual appropriated budgets for all its funds in accordance with the Colorado State Statutes. The budgetary comparison schedules have been provided for all its funds to demonstrate compliance with the budget law and are found on pages 58 through 80.

Government-wide Financial Analysis

Traditionally, the largest portion of any municipality's investments is in its capital assets. Land, building, equipment, machinery, and specialized tools are necessary in order to deliver and/or provide services to the City's residents and visitors. The City's capital assets account for approximately 44% of its total net position; these assets are not an available source for payment of future spending. Of the remaining \$10,584,822 in net position, \$74,000 or less than 1%, of the net position for governmental activities is restricted for use in the event of an emergency.

At the end of the 2016 fiscal year, the City is able to report positive balances in all categories of net position, first for the government as a whole, and then as separate governmental and business-type activities. This same report can be made for the prior fiscal year, as well.

The City's net position increased \$1,892,186 during the current fiscal year. The increase is primarily due to the excess of revenues over expenditures of the governmental type activities of \$1,725,386 after the transfer received from the Business Fund of \$832,398.

Governmental Activities: Governmental activities after transfers left the City's net position at a positive \$1,725,386. Key elements of this increase are as follows:

- An increase in governmental fund's net position occurred with the transfer of \$832,398 from business-type activities and capital grants for airport project.
- The governmental activities expenses consistently exceeded available revenues before transfers. The City has traditionally subsidized the governmental activities with its business-type activities.
- The City continues to provide funding of highways and streets, culture and recreation, and airport improvements to enhance these services for the citizens.

Governmental activities revenues increased by \$1,203,690 from 2015 levels primarily due to the following changes:

- Sales taxes decreased by \$4,361 due to an increase in taxable sales within the City's boundaries.
- Property taxes increased \$18,405 due to higher assessed valuations.
- Other taxes decreased by \$10,429 primarily due to less vehicle use tax.
- Capital grants and contributions increased by \$1,200,075 due to airport taxiway project.

Governmental activities expenses increased by \$1,443,975 from 2015 levels primarily due to the following changes:

- Highways and streets expenses decreased by \$132,326. No significant equipment purchases.
- Culture and recreation decreased by \$7,998.
- Capital Outlay increased by \$1,584,299 for airport taxiway project.

Business-Type Activities: Business-type activities after transfers of \$832,398 increased the City's net position by \$166,800. Key elements of this increase are as follows:

- The increase in net position from 2015 to 2016 was primarily due to charges for services being greater than expenses to provide those services.

Business-type activities revenues increased by \$83,856 from 2015 levels primarily due to the following:

- Charges for services increased, electric by \$80,736, sewer by \$6,866, refuse by \$3,324 and water decreased by \$7,070.

Business-type activities expenses increased by \$67,580 from 2015 levels primarily due to the following changes:

- Operating costs of the electric utility increased by \$38,136.
- Operating costs of the sanitary utility increased by \$4,171.
- Operating costs of the water and wastewater increased by \$14,675.
- Operating costs of the utility administration increased by \$10,598.

Budget Variances in the General Fund: The City was not required to amend the General Fund budget for the current fiscal year; the General Fund expenditures did not exceed the fund budget.

The General Fund Budget and Actual Schedules can be found on page 58.

Significant Variances in the General Fund

Capital Assets: The City's capital assets increased government-wide by \$1,637,868. Current year net additions totaled \$2,070,892, which was primarily due to machinery and equipment purchases while 2016 depreciation expense was \$433,024. Additional information, as well as a detailed classification of the City's net position can be found in the Notes to the Financial Statements on pages 36-38 of this report.

Long-term Liabilities: As of the end of the current fiscal year, the City's long-term liabilities decreased by \$154. Additional information as well as a detailed classification of the City's total long-term liabilities can be found in the Notes to the Financial Statements on page 38.

Next Year's Budget and Rates: The City's General Fund balance at the end of the fiscal year 2016 totaled \$1,641,994 an increase of \$262,571. Rates for the utility services (business-type activities) were increased for all four utilities. The City's 2017 budget anticipates transfers from the Utility Fund to help offset the operating costs of the City's General Fund.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Holyoke, City Clerk/Treasurer, 407 E. Denver St., Holyoke, Colorado 80734.

Basic Financial Statements

The basic financial statements of the City include the following:

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

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

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

CITY OF HOLYOKE, COLORADO
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 168,642	\$ 460,385	\$ 629,027
Cash with fiscal agent	4,219		4,219
Investments	1,606,501	6,245,096	7,851,597
Receivables	1,085,434	419,225	1,504,659
Inventory		430,857	430,857
Net pension asset	13,463		13,463
Land and construction in progress		151,000	151,000
Capital assets, net of depreciation	6,548,242	1,857,815	8,406,057
Total assets	9,426,501	9,564,378	18,990,879
Deferred outflows of resources			
Pension deferrals	50,737		50,737
Total assets and deferred outflows of resources	\$ 9,477,238	\$ 9,564,378	\$ 19,041,616
Liabilities			
Accounts payable	\$ 190,327	\$ 153,742	\$ 344,069
Unearned revenues	6,293		6,293
Customer deposits		38,150	38,150
Noncurrent liabilities			
Due in more than one year	40,098	52,925	93,023
Total liabilities	236,718	244,817	481,535
Deferred inflows of resources			
Deferred property tax revenues	363,869		363,869
Pension deferrals	1,233		1,233
Total deferred inflows of resources	365,102	-	365,102
Net position			
Net investment in capital assets		2,008,815	2,008,815
Restricted for emergencies	74,000		74,000
Restricted for public safety	30		30
Restricted for culture and recreation	39,236		39,236
Restricted for pensions	13,463		13,463
Unrestricted	8,748,689	7,310,746	16,059,435
Total net position	8,875,418	9,319,561	18,194,979
Total liabilities, deferred inflows of resources and net position	\$ 9,477,238	\$ 9,564,378	\$ 19,041,616

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

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CITY OF HOLYOKE, COLORADO
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 273,105	\$ 26,572		
Public safety	340,581	591		\$ 4,950
Public works	728,992	64,399	\$ 136,916	1,419,058
Health and welfare	50,124	14,640		
Culture and recreation	486,237	29,940	25,064	63,552
Total governmental activities	1,879,039	136,142	161,980	1,487,560
Business-type activities				
Electric	1,480,253	2,532,743		
Water	196,988	309,619		
Sewer	149,765	249,162		
Refuse	198,473	235,482		
Administration	387,513	2,850		
Total business-type activities	2,412,992	3,329,856	-	-
Total	\$ 4,292,031	\$ 3,465,998	\$ 161,980	\$ 1,487,560

General revenues and transfers

Taxes

 Property taxes, levied for general purposes

 Specific ownership

 Sales and use taxes

 Franchise taxes

Unrestricted earnings on investments

Miscellaneous

Gain on disposal of assets

Transfers

 Total general revenues and transfers

 Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (246,533)		\$ (246,533)
(335,040)		(335,040)
891,381		891,381
(35,484)		(35,484)
(367,681)		(367,681)
(93,357)	\$ -	(93,357)
	1,052,490	1,052,490
	112,631	112,631
	99,397	99,397
	37,009	37,009
	(384,663)	(384,663)
-	916,864	916,864
(93,357)	916,864	823,507
364,103		364,103
38,211		38,211
457,288		457,288
19,051		19,051
6,673	51,896	58,569
90,104	30,438	120,542
10,915		10,915
832,398	(832,398)	-
1,818,743	(750,064)	1,068,679
1,725,386	166,800	1,892,186
7,150,032	9,152,761	16,302,793
\$ 8,875,418	\$ 9,319,561	\$ 18,194,979

CITY OF HOLYOKE, COLORADO
Balance Sheet
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 163,419	\$ 5,223	\$ 168,642
Cash with fiscal agent	4,189	30	4,219
Investments	950,344	656,157	1,606,501
Due from other funds	204		204
Property taxes receivable	353,854	10,015	363,869
Accounts receivable	720,444		720,444
Interest receivable	14	1,107	1,121
Total assets	\$ 2,192,468	\$ 672,532	\$ 2,865,000
Liabilities			
Accounts payable	\$ 190,327		\$ 190,327
Due to other funds		\$ 204	204
Unearned revenues	6,293		6,293
Total liabilities	196,620	204	196,824
Deferred inflows of resources			
Deferred property tax revenues	353,854	10,015	363,869
Total deferred inflows of resources	353,854	10,015	363,869
Fund balance			
Nonspendable permanent fund principal		216,647	216,647
Restricted to:			
Emergencies	74,000		74,000
Public safety		30	30
Culture and recreation		39,236	39,236
Committed to:			
Culture and recreation		143,564	143,564
Health and welfare		262,836	262,836
Unassigned	1,567,994		1,567,994
Total fund balance	1,641,994	662,313	2,304,307
Total liabilities, deferred inflows of resources and fund balance	\$ 2,192,468	\$ 672,532	\$ 2,865,000

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

CITY OF HOLYOKE, COLORADO

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

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

Total fund balance - governmental funds	\$ 2,304,307
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	6,548,242
Net pension assets and deferrals used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	62,967
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(40,098)</u>
Net position of the governmental activities	<u>\$ 8,875,418</u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 868,632	\$ 10,021	\$ 878,653
Licenses and permits	12,053		12,053
Intergovernmental revenues	1,627,566	25,064	1,652,630
Charges for services	44,218		44,218
Fines and forfeitures	14,272		14,272
Earnings on investments	2,203	4,470	6,673
Miscellaneous revenues	160,978	2,550	163,528
Total revenues	2,729,922	42,105	2,772,027
Expenditures			
Current			
General government	267,462		267,462
Public safety	365,908	10,021	375,929
Public works	2,077,173		2,077,173
Health and welfare	47,045		47,045
Culture and recreation	545,833	85,500	631,333
Total expenditures	3,303,421	95,521	3,398,942
Excess of revenues over (under) expenditures	(573,499)	(53,416)	(626,915)
Other financing sources (uses)			
Transfers in	836,070		836,070
Transfers out		(3,672)	(3,672)
Total other financing sources (uses)	836,070	(3,672)	832,398
Net change in fund balance	262,571	(57,088)	205,483
Fund balance at beginning of year	1,379,423	719,401	2,098,824
Fund balance at end of year	<u>\$ 1,641,994</u>	<u>\$ 662,313</u>	<u>\$ 2,304,307</u>

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

CITY OF HOLYOKE, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

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

Net change in fund balances - governmental funds	\$ 205,483
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	1,506,060
In the statement of activities, certain operating expenses are measured by the amounts incurred or earned 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).	<u>13,843</u>
Change in net position of governmental activities	<u>\$ 1,725,386</u>

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

CITY OF HOLYOKE, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2016

	<u>Enterprise Fund</u>
Assets	
Current assets	
Cash	\$ 460,385
Investments	6,245,096
Receivables	419,225
Inventory	430,857
Total current assets	<u>7,555,563</u>
Noncurrent assets	
Land	151,000
Capital assets, net of depreciation	1,857,815
Total noncurrent assets	<u>2,008,815</u>
Total assets	<u><u>\$ 9,564,378</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 153,742
Customer deposits	38,150
Total current liabilities	<u>191,892</u>
Long-term liabilities	
Accrued compensated absences	52,925
Total liabilities	<u>244,817</u>
Net position	
Net investment in capital assets	2,008,815
Unrestricted	7,310,746
Total net position	<u>9,319,561</u>
Total liabilities and net position	<u><u>\$ 9,564,378</u></u>

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

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

	<u>Enterprise Fund</u>
Operating revenues	
Charges for services	\$ 3,233,555
Total operating revenues	3,233,555
Operating expenses	
Salaries	585,900
Benefits	245,333
Supplies	40,054
Repairs and maintenance	54,911
Farm	6,209
Water pumping	48,435
Membership and dues	4,026
Utilities	1,157,297
Legal and professional	24,684
Testing	4,563
Travel and meetings	1,213
Landfill	48,363
Insurance	31,355
Bad debts	848
Website	2,900
Depreciation	156,901
Total operating expenses	<u>2,412,992</u>
Operating income	820,563

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

	<u>Enterprise Fund</u>
Nonoperating revenues	
Earnings on investments	51,896
Property rent	96,301
Miscellaneous	30,438
	<u>178,635</u>
Total nonoperating revenues	178,635
Net income before transfers	999,198
Transfers out	<u>(832,398)</u>
Change in net position	166,800
Net position at beginning of year	<u>9,152,761</u>
Net position at end of year	<u><u>\$ 9,319,561</u></u>

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

	<u>Enterprise Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 3,210,280
Payments to other funds	
Payments to suppliers	(1,647,635)
Payments to employees	<u>(586,681)</u>
Net cash provided by operating activities	975,964
Cash flows from noncapital financing activities	
Transfers to other funds	(832,398)
Miscellaneous receipts	<u>30,438</u>
Net cash used by noncapital financing activities	(801,960)
Cash flows from capital and related financing activities	
Property rent	93,451
Purchase of capital assets	<u>(288,709)</u>
Net cash used by capital and related financing activities	(195,258)
Cash flows from investing activities	
Interest earnings	<u>32,768</u>
Net cash provided by investing activities	<u>32,768</u>
Net increase in cash and cash equivalents	11,514
Cash and cash equivalents at beginning of year	<u>448,871</u>
Cash and cash equivalents at end of year	<u><u>\$ 460,385</u></u>

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

	<u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 820,563
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	156,901
Bad debts	848
Change in assets and liabilities	
Receivables	(19,423)
Inventory	(316)
Accounts payable	22,872
Customer deposits	(4,700)
Accrued compensated absences	(781)
	<u> </u>
Net cash provided by operating activities	<u>\$ 975,964</u>

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies

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

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

The more significant of the City's accounting policies are described below.

A.1 – Reporting entity

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

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

A.2 – Fund accounting

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The City does not have any fiduciary funds.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

The following are the City's nonmajor governmental funds:

Heginbotham Trust Fund – This fund is a special revenue fund established with funds from the sale of lots with the interest earned on the principal being transferred to the parks department in the General Fund on an annual basis.

Library Land Fund – This fund is a special revenue fund established through the sale of land with the interest earned on the principal being transferred to the library department in the General Fund on an annual basis.

Spindler Library Fund – This fund is a special revenue fund established with money bequeathed to the City for the library.

Cemetery Perpetual Care Fund – This fund is a special revenue fund established to help maintain the cemetery with the interest earned on the principal being transferred to the cemetery department in the General Fund on an annual basis.

Conservation Trust Fund – This fund is a special revenue fund established to accumulate lottery proceeds which can be used to fund recreational facilities and/or projects.

Cemetery White Fund – This fund is a special revenue fund established with money bequeathed to the City to be used for the cemetery with the interest earned on the principal being transferred to the cemetery department in the General Fund on an annual basis. The principal can be used for projects approved by the cemetery board.

Massman Memorial Fund – This fund is a special revenue fund established with money bequeathed to the City to be used for the parks with the interest earned on the principal being transferred to the parks department in the General Fund on an annual basis. The principal can be used for projects approved by city council.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Firemen's Pension Fund – This fund is a special revenue fund established to provide financial resources for the City's Volunteer Fire Pension Plan.

LeBlanc Estate Fund – This fund is a permanent fund established with money bequeathed to the City to be used for maintaining the cemetery with the interest earned on the principal being transferred to the cemetery department in the General Fund on an as needed basis to cover cemetery maintenance projects.

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

Utility Fund – This fund was established to account for all operations of the electric, water, sewer, and refuse utility services provided by the City.

Note A.3 – Basis of presentation

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

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

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.4 – Basis of accounting

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

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A - Summary of significant accounting policies (Continued)

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

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

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

Unearned revenue - Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the 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.

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.5 – Encumbrances

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

A.6 – Cash and cash investments

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Short-term investments, including government securities and certificates of deposit, are purchased with pooled cash. Interest earned is allocated to individual funds based on their proportional equity in each investment purchased. Certain funds have made disbursements for investments in excess of the fund's individual equity. The deficit balances of these funds are reported as a liability "due to other funds."

A.7 – Cash and cash equivalents

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

A.8 – Short-term interfund receivables/payables

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

A.9 – Receivables

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

A.10 – Inventories

Inventories in the proprietary funds consist of supplies and are recorded at the lower of cost or market using the first-in, first-out method.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Capital assets

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

All capital assets with a unit cost greater than \$2,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) have been capitalized on a prospective basis beginning in 2004.

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

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

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	20-40 years	20-40 years
Equipment	3-10 years	3-10 years
Improvements other than buildings	10-40 years	10-40 years
Infrastructure	10-50 years	n/a

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.12 – Compensated absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." In recognition of the varying work schedules of city employees and each employee's diverse needs for time away from work, the City provides a general leave policy of paid time off (PTO) for its employees. Paid time off shall be accrued by regular employees and is determined by the work period that each employee is scheduled.

Vacation leave

Full-time employees may accumulate up to 160 hours of vacation for the first 10 years of continuous service. After 10 years of continuous service an additional 8 hours per year may be accumulated up to a maximum of 200 hours of vacation after 15 years of continuous service. Accumulated vacation leave is paid upon separation from employment.

Sick leave

Full-time employees may accumulate up to 480 hours of sick leave. Accumulated sick leave is paid upon separation from employment at the rate of 1 day for each 4 days except in cases where employees are discharged or terminated for any reason within the first year of employment.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of the compensated absences is reported as a fund liability.

The amounts recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.13– Accrued liabilities and long-term obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.14 – Net position

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

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

A.15 – Operating revenues and expenses

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.16 – Interfund transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

A.17 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the city council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

A.18 – Fund balance

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

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

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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 members of 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.

Note B – Cash 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.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of year-end, the City had total deposits of \$9,859,731, of which \$519,253 was insured and \$9,340,478 was collateralized with securities held by the pledging institution's trust department or agent in the City's name.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note B – Cash and investments (Continued)

Investments

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

- Obligations of the United States Government, such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Utility accounts	\$ -	\$ 404,842	\$ 404,842
Property taxes	363,869	-	363,869
Other accounts	720,444	-	720,444
Interest	<u>1,121</u>	<u>14,383</u>	<u>15,504</u>
Total	<u>\$ 1,085,434</u>	<u>\$ 419,225</u>	<u>\$ 1,504,659</u>

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note D - Interfund transactions

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 204</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.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 832,398
General Fund	Other Governmental Funds	<u>3,672</u>
Total		<u>\$ 836,070</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The City annually transfers funds from the Utility Fund and Other Governmental Funds to provide support to various departments within the General Fund.

Note E - Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Land and improvements	\$ 8,027,321	\$ 1,544,252	\$ -	\$ 9,571,573
Buildings and improvements	1,402,937	149,124	-	1,552,061
Office equipment	159,402	-	-	159,402
Machinery and equipment	<u>1,861,710</u>	<u>88,807</u>	<u>-</u>	<u>1,950,517</u>
Total capital assets, being depreciated	<u>11,451,370</u>	<u>1,782,183</u>	<u>-</u>	<u>13,233,553</u>
Total capital assets	11,451,370	1,782,183	-	13,233,553

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note E – Capital assets (Continued)

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Less accumulated depreciation for:				
Land and improvements	(4,066,646)	(166,672)	-	(4,233,318)
Buildings and improvements	(794,666)	(35,073)	-	(829,739)
Office equipment	(142,932)	(2,349)	-	(145,281)
Machinery	<u>(1,404,944)</u>	<u>(72,029)</u>	-	<u>(1,476,973)</u>
Total accumulated depreciation	<u>(6,409,188)</u>	<u>(276,123)</u>	-	<u>(6,685,311)</u>
Governmental activities capital assets, net	<u>\$ 5,042,182</u>	<u>\$ 1,506,060</u>	<u>\$ -</u>	<u>\$ 6,548,242</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 151,000	\$ -	\$ -	\$ 151,000
Capital assets, being depreciated				
Distribution systems	4,184,086	247,555	-	4,431,641
Buildings and improvements	468,359	-	-	468,359
Office equipment	18,810	-	-	18,810
Machinery and equipment	<u>1,454,372</u>	<u>41,154</u>	-	<u>1,495,526</u>
Total capital assets, being depreciated	<u>6,125,627</u>	<u>288,709</u>	-	<u>6,414,336</u>
Total capital assets	6,276,627	288,709	-	6,565,336
Less accumulated depreciation for:				
Distribution systems	(3,016,266)	(84,789)	-	(3,101,055)
Buildings and improvements	(269,368)	(16,162)	-	(285,530)
Office equipment	(18,749)	-	-	(18,749)
Machinery and equipment	<u>(1,095,237)</u>	<u>(55,950)</u>	-	<u>(1,151,187)</u>
Total accumulated depreciation	<u>(4,399,620)</u>	<u>(156,901)</u>	-	<u>(4,556,521)</u>
Business-type activities capital assets, net	<u>\$ 1,877,007</u>	<u>\$ 131,808</u>	<u>\$ -</u>	<u>\$ 2,008,815</u>

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note E – Capital assets (Continued)

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

Governmental activities		
General government		\$ 5,017
Public safety		17,203
Public works		210,658
Health and welfare		3,079
Culture and recreation		<u>40,166</u>
Total governmental activities		<u>\$ 276,123</u>
Business-type activities		
Electric		\$ 38,307
Water		30,911
Sewer		58,704
Refuse		12,986
Administration		<u>15,993</u>
Total business-type activities		<u>\$ 156,901</u>

Note F – Long-term debt

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental Activities					
Compensated Absences	\$ <u>39,471</u>	\$ <u>627</u>	\$ <u>-</u>	\$ <u>40,098</u>	\$ <u>-</u>

The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The City believes that the current portion of compensated absences is negligible and is therefore not reported.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Business-type activities					
Compensated absences	\$ <u>53,706</u>	\$ <u>-</u>	\$ <u>(781)</u>	\$ <u>52,925</u>	\$ <u>-</u>

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note G - 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; injuries to employees; and natural disasters. The City has affiliated with the Colorado Intergovernmental Risk Sharing Agency (CIRSA) to provide protection against losses incurred related to property, casualty, general liability and workers compensation claims. CIRSA is a separate legal entity established by member municipalities pursuant to the provisions of the Colorado Revised Statutes and the Colorado Constitution. The purposes of CIRSA are to provide members defined liability, property and workers compensation coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees, or officers. The City makes an annual contribution to CIRSA for its insurance coverage. For the year, the City's financial contribution to CIRSA was \$117,926. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H - Pension plans

Statewide Defined Benefit Plan

Summary of significant accounting policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the 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, 2015 has 212 participating employer fire and police departments.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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.

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 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

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.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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. 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 selfdirect 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 departments 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 20.5 percent of base salary in 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, members of the affiliate social security group will 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 \$7,021.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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 \$266 for its proportionate share of the net pension asset. 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 .0151 percent, which was an increase of .005 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$3,071. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 13,511	\$ -
Changes in assumptions and other inputs	4,180	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	496	929
Contributions subsequent to measurement date	7,021	
Difference between expected and actual experience	<u>2,152</u>	<u>304</u>
Totals	<u>\$ 27,360</u>	<u>\$ 1,233</u>

\$7,021 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:

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Year Ended December 31, _____	Amount
2017	\$ 4,056
2018	4,056
2019	4,056
2020	3,731
2021	597
2022	597
2023	597
2024	597
2025	663
2026	156
Totals	\$ 19,106

Actuarial assumptions. The total pension liability 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*	7.5%
Projected salary increases*	4.0% - 14.0%
Cost of living adjustments	0.0%
*Includes inflation at	2.5%

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.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	<u>2.0%</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 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:

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

	1% Decrease (6.50%)	Current Discount (7.50)	1% Increase (8.50)
Proportionate share of the net pension liability (asset)	\$ 37,276	\$ (266)	\$ (31,406)

The long-term rate of return used was 7.5 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.

Holyoke Volunteer Fire Department Pension Fund

Summary of significant accounting policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Holyoke Volunteer Fire Department Pension Fund and additions to/deductions from Holyoke Volunteer Fire Department 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 provides retirement and disability benefits and death 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.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Management of the Holyoke Volunteer Fire Department Pension Fund is vested in the local Pension Board, which consists of the City Mayor, Treasurer, two persons appointed by the governing body of the City, and three representatives of the local fire department serving the City.

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

Inactive plan members or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>26</u>
Total	<u><u>52</u></u>

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 \$55 per month). Vesting for reduced monthly pension benefits begins at 10 years of service, with full pension after 20 years. The plan also provides for a lump-sum burial benefit of \$100 upon the death of an active or retired firefighter. The plan does not provide for disability or survivor benefits.

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 \$7,931 from the State of Colorado matching funds and \$9,821 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 net pension asset of \$13,197. 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 January 1, 2015.

For the year ended December 31, 2016, the City recognized pension expense (income) of \$(699). At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 10,469
Contributions subsequent to measurement date	9,821
Difference between expected and actual experience	<u>3,087</u>
Totals	<u>\$ 23,377</u>

\$9,821 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 December 31, __</u>	<u>Amount</u>
2017	\$ 4,271
2018	4,237
2019	2,710
2020	<u>2,338</u>
Totals	<u>\$ 13,556</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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	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.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

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 asset to changes in the discount rate. The following presents the City's net pension asset calculated using the discount rate of 7.5 percent, as well as what the City's 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 <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net pension liability (asset)	\$ 6,481	\$ (13,197)	\$ (29,796)

The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.65 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 Holyoke Volunteer Fire Department Pension Fund financial report.

Payables to the pension plan

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

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note H – Pension plans (Continued)

Defined Contribution Plan

The City contributes to the Colorado County Officials and Employees Retirement Plan (the Plan), a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA).

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Council. The City's contribution is a minimum of 6 percent of covered salary, but may be increased beyond this amount. All eligible employees are required to contribute an amount equal to the contribution by the City. For the year employee contributions totaled \$52,531, and the City recognized pension expense of \$52,531.

Employees are immediately vested in their own contributions, City contributions, and earnings on those contributions.

Note I – Deferred compensation plan

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by an independent plan administrator through an administrative service agreement. The plan is available to all permanent City employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The City approved plan amendments such that plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

Note J – Commitments and contingencies

Federal and state funding

The City receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF HOLYOKE, COLORADO
Notes to Financial Statements

Note J - Commitments and contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the City under specified voting requirements by the entire electorate. On November 7, 1995, the voters of the City approved a ballot initiative permitting the City to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of TABOR. However, the City has made certain interpretations of TABOR's language in order to determine its compliance. The City has restricted funds in the General Fund in the amount of \$74,000 for the emergency reserve.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of the City's Proportionate Share of the Net Pension Asset – Fire & Police Statewide Defined Benefit Plan
- Schedule of City Contributions – Fire & Police Statewide Defined Benefit Plan
- Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios – Holyoke Volunteer Fire Department Pension Fund
- Schedule of City Contributions – Holyoke Volunteer Fire Department Pension Fund
- Budgetary Comparison Schedule – General Fund
- Notes to Required Supplementary Information

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension asset	0.0150947%	0.0146077%	0.0158906%
City's proportionate share of the net pension asset	\$ 266	\$ 16,486	\$ 14,209
City's covered-employee payroll	\$ 87,757	\$ 79,063	\$ 65,691
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.3%	20.9%	21.6%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	106.8%	105.8%

¹ Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF HOLYOKE, COLORADO
Schedule of City Contributions ¹
Fire & Police Statewide Defined Benefit Plan
December 31, 2016

	2016	2015	2014
Contractually required contribution	\$ 7,021	\$ 6,325	\$ 5,255
Contributions in relation to the contractually required contribution	(7,021)	(6,325)	(5,255)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 87,757	\$ 79,063	\$ 65,691
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

¹ Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF HOLYOKE, COLORADO
Schedule of Changes in the City's Net Pension Liability/(Asset) and Related Ratios ¹
Holyoke Volunteer Fire Department Pension Fund
Last 10 Fiscal Years

	2015	2014
Total pension liability		
Service cost	\$ 964	\$ 767
Interest on the total pension liability	14,107	13,718
Benefit changes	-	-
Differences between expected and actual experience	-	6,209
Assumption changes	-	-
Benefit payments	(15,609)	(15,609)
Net change in total pension liability	(538)	5,085
Total pension liability - beginning	195,285	190,200
Total pension liability - ending (a)	<u>\$ 194,747</u>	<u>\$ 195,285</u>
Plan fiduciary net position		
Employer contributions	\$ 9,324	\$ 8,729
Pension plan net investment income	3,689	12,654
Benefit payments	(15,609)	(15,609)
Pension plan administrative expenses	(2,722)	(679)
State of Colorado supplemental discretionary payment	7,382	7,002
Net change in plan fiduciary net position	2,064	12,097
Plan fiduciary net position - beginning	205,880	193,783
Plan fiduciary net position - ending (b)	<u>\$ 207,944</u>	<u>\$ 205,880</u>
City's net pension liability/(asset) - ending (a) - (b)	<u>\$ (13,197)</u>	<u>\$ (10,595)</u>
Plan fiduciary net position as a percentage of the total pension liability	106.78%	105.43%
Covered-employee payroll	N/A	N/A
City's net pension liability as a percentage of covered-employee payroll	N/A	N/A

¹ Information is not available prior to the 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF HOLYOKE, COLORADO
Schedule of City Contributions ¹
Holyoke Volunteer Fire Department Pension Fund
Last 10 Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2015	\$ 940	\$ 16,706	\$ (15,766)	N/A	N/A
2014	\$ 940	\$ 15,731	\$ (14,791)	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment.

¹ Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

CITY OF HOLYOKE, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 883,045	\$ 883,045	\$ 868,632	\$ (14,413)
Licenses and permits	11,850	11,850	12,053	203
Intergovernmental revenues	1,990,350	1,990,350	1,627,566	(362,784)
Charges for services	41,500	41,500	44,218	2,718
Fines and forfeitures	9,000	9,000	14,272	5,272
Earnings on investments	425	425	2,203	1,778
Miscellaneous revenues	257,603	257,603	160,978	(96,625)
Total revenues	3,193,773	3,193,773	2,729,922	(463,851)
Expenditures				
General government	288,112	288,112	267,462	20,650
Public safety	1,044,195	1,044,195	365,908	678,287
Public works	2,713,632	2,713,632	2,077,173	636,459
Health and welfare	100,161	100,161	47,045	53,116
Culture and recreation	763,668	763,668	545,833	217,835
Total expenditures	4,909,768	4,909,768	3,303,421	1,606,347
Excess of revenues over (under) expenditures	(1,715,995)	(1,715,995)	(573,499)	1,142,496
Other financing sources (uses)				
Transfers in	1,655,777	1,655,777	836,070	(819,707)
Transfers out	(55,000)	(55,000)		55,000
Total other financing sources (uses)	1,600,777	1,600,777	836,070	(764,707)
Net change in fund balance	\$ (115,218)	\$ (115,218)	262,571	\$ 377,789
Fund balance at beginning of year			1,379,423	
Fund balance at end of year			\$ 1,641,994	

CITY OF HOLYOKE, COLORADO
Notes to Required Supplementary Information

Note A – Budgets and budgetary accounting

Annual budgets are established for all funds of the City. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the Utility Fund in which capital purchases 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 during 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 city clerk submits 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, the city clerk shall also prepare 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.

CITY OF HOLYOKE, COLORADO
Notes to Required Supplementary Information

Note B – Factors affecting trends in amounts reported in the pension schedules – Fire & 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 2015 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.

Other Supplementary Information

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

Such statements and schedules include:

- General Fund – Budgetary Comparison Schedules of Revenues and Expenditures
- Combining Statements and Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Enterprise Fund

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Budgetary Comparison Schedules – General Fund

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

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
General property	\$ 353,045	\$ 353,045	\$ 354,082	\$ 1,037
Specific ownership	45,000	45,000	38,211	(6,789)
General sales and use	455,000	455,000	457,288	2,288
Franchise	30,000	30,000	19,051	(10,949)
Total taxes	883,045	883,045	868,632	(14,413)
Licenses and permits	11,850	11,850	12,053	203
Intergovernmental revenues				
Highway users tax	82,120	82,120	87,278	5,158
Motor vehicle assessments	10,800	10,800	10,269	(531)
Road and bridge tax	33,000	33,000	34,233	1,233
Cigarette taxes	4,000	4,000	3,090	(910)
Airport fuel tax	3,000	3,000	1,056	(1,944)
Highway maintenance tax	2,600	2,600	4,080	1,480
Federal and state grants	1,854,830	1,854,830	1,487,560	(367,270)
Total intergovernmental revenues	1,990,350	1,990,350	1,627,566	(362,784)
Charges for services				
Cemeteries	15,300	15,300	14,640	(660)
Recreation	26,200	26,200	29,578	3,378
Total charges for services	41,500	41,500	44,218	2,718
Fines and forfeitures				
Court	8,000	8,000	14,010	6,010
Library	1,000	1,000	262	(738)
Total fines and forfeitures	9,000	9,000	14,272	5,272

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Earnings on investments	425	425	2,203	1,778
Miscellaneous revenues				
Rents	18,316	18,316	18,731	415
Airport fuel sales	57,000	57,000	46,868	(10,132)
Reimbursements	123,197	123,197	77,698	(45,499)
Insurance claims	10,010	10,010	6	(10,004)
Sale of assets	10,000	10,000	10,915	915
Miscellaneous	39,080	39,080	6,760	(32,320)
Total miscellaneous revenues	257,603	257,603	160,978	(96,625)
Total revenues	\$ 3,193,773	\$ 3,193,773	\$ 2,729,922	\$ (463,851)

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

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
General government				
General administration	\$ 245,505	\$ 245,505	\$ 257,624	\$ (12,119)
Building department	42,607	42,607	9,838	32,769
Total general government	288,112	288,112	267,462	20,650
Public safety				
Police	522,945	522,945	354,513	168,432
Fire	521,250	521,250	11,395	509,855
Total public safety	1,044,195	1,044,195	365,908	678,287
Public works				
Airport	1,670,854	1,670,854	1,556,474	114,380
Streets	1,042,778	1,042,778	520,699	522,079
Total public works	2,713,632	2,713,632	2,077,173	636,459
Health and welfare				
Cemetery	100,161	100,161	47,045	53,116
Culture and recreation				
Library	118,691	118,691	115,444	3,247
Parks	428,380	428,380	222,658	205,722
Pool	119,200	119,200	115,343	3,857
Golf	97,397	97,397	92,388	5,009
Total culture and recreation	763,668	763,668	545,833	217,835
Total expenditures	\$ 4,909,768	\$ 4,909,768	\$ 3,303,421	\$ 1,606,347

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The City reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Heginbotham Trust Fund – This fund is a special revenue fund established with funds from the sale of lots with the interest earned on the principal being transferred to the parks department in the General Fund on an annual basis.

Library Land Fund – This fund is a special revenue fund established through the sale of land with the interest earned on the principal being transferred to the library department in the General Fund on an annual basis.

Spindler Library Fund – This fund is a special revenue fund established with money bequeathed to the City for the library.

Cemetery Perpetual Care Fund – This fund is a special revenue fund established to help maintain the cemetery with the interest earned on the principal being transferred to the cemetery department in the General Fund on an annual basis.

Conservation Trust Fund – This fund is a special revenue fund established to accumulate lottery proceeds which can be used to fund recreational facilities and/or projects.

Cemetery White Fund – This fund is a special revenue fund established with money bequeathed to the City to be used for the cemetery with the interest earned on the principal being transferred to the cemetery department in the General Fund on an annual basis. The principal can be used for projects approved by the cemetery board.

Massman Memorial Fund – This fund is a special revenue fund established with money bequeathed to the City to be used for the parks with the interest earned on the principal being transferred to the parks department in the General Fund on an annual basis. The principal can be used for projects approved by city council.

Firemen's Pension Fund – This fund is a special revenue fund established to provide financial resources for the City's Volunteer Fire Pension Plan.

Permanent Fund – This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

LeBlanc Estate Fund – This fund is a permanent fund established with money bequeathed to the City to be used for maintaining the cemetery with the interest earned on the principal being transferred to the cemetery department in the General Fund on an as needed basis to cover cemetery maintenance projects.

CITY OF HOLYOKE, COLORADO
Nonmajor Governmental Funds
Combining Balance Sheet
For the Year Ended December 31, 2016

	Special Revenue Funds			
	Heginbotham Trust Fund	Library Land Fund	Spindler Library Fund	Cemetery Perpetual Care Fund
Assets				
Cash	\$ 9	\$ 1,273		
Cash with county treasurer				
Investments	36,289	47,052	\$ 7,669	\$ 217,399
Interest receivable	130	168		27
Property taxes receivable				
Total assets	\$ 36,428	\$ 48,493	\$ 7,669	\$ 217,426
Liabilities				
Due to other funds				\$ 204
Total liabilities	\$ -	\$ -	\$ -	204
Deferred inflows of resources				
Deferred property tax revenues				
Total deferred inflows of resources	-	-	-	-
Fund balance				
Nonspendable permanent fund principal				
Restricted to:				
Public safety				
Culture and recreation				
Committed to:				
Culture and recreation	36,428	48,493	7,669	
Health and welfare				217,222
Total fund balance	36,428	48,493	7,669	217,222
Total liabilities, deferred inflows of resources and fund balance	\$ 36,428	\$ 48,493	\$ 7,669	\$ 217,426

Special Revenue Funds				Permanent Fund	
Conservation Trust Fund	Cemetery White Fund	Massman Memorial Fund	Firemen's Pension Fund	LeBlanc Estate Fund	Total
	\$ 298			\$ 3,643	\$ 5,223
\$ 39,236	40,851	\$ 50,974	\$ 30	216,687	656,157
			10,015	782	1,107
					10,015
<u>\$ 39,236</u>	<u>\$ 41,149</u>	<u>\$ 50,974</u>	<u>\$ 10,045</u>	<u>\$ 221,112</u>	<u>\$ 672,532</u>
					\$ 204
\$ -	\$ -	\$ -	\$ -	\$ -	204
			10,015		10,015
			10,015		10,015
				216,647	216,647
39,236			30		30
		50,974			143,564
	41,149			4,465	262,836
<u>39,236</u>	<u>41,149</u>	<u>50,974</u>	<u>30</u>	<u>221,112</u>	<u>662,313</u>
<u>\$ 39,236</u>	<u>\$ 41,149</u>	<u>\$ 50,974</u>	<u>\$ 10,045</u>	<u>\$ 221,112</u>	<u>\$ 672,532</u>

CITY OF HOLYOKE, COLORADO

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2016

	Special Revenue Funds			
	Heginbotham Trust Fund	Library Land Fund	Spindler Library Fund	Cemetery Perpetual Care Fund
Revenues				
Taxes				
Intergovernmental revenue				
Earnings on investments	\$ 381	\$ 494	\$ 57	\$ 635
Miscellaneous				2,550
Total revenues	381	494	57	3,185
Expenditures				
Public safety				
Culture and recreation				
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	381	494	57	3,185
Other financing uses				
Transfers out	(721)	(500)		(608)
Net change in fund balance	(340)	(6)	57	2,577
Fund balance at beginning of year	36,768	48,499	7,612	214,645
Fund balance at end of year	<u>\$ 36,428</u>	<u>\$ 48,493</u>	<u>\$ 7,669</u>	<u>\$ 217,222</u>

Special Revenue Funds					Permanent Fund	
Conservation Trust Fund	Cemetery White Fund	Massman Memorial Fund	Firemen's Pension Fund	LeBlanc Estate Fund	Total	
			\$ 10,021		\$ 10,021	
\$ 25,064					25,064	
140	\$ 102	\$ 128		\$ 2,533	4,470	
					2,550	
25,204	102	128	10,021	2,533	42,105	
			10,021		10,021	
85,500					85,500	
85,500	-	-	10,021	-	95,521	
(60,296)	102	128	-	2,533	(53,416)	
	(41)	(51)		(1,751)	(3,672)	
(60,296)	61	77	-	782	(57,088)	
99,532	41,088	50,897	30	220,330	719,401	
\$ 39,236	\$ 41,149	\$ 50,974	\$ 30	\$ 221,112	\$ 662,313	

CITY OF HOLYOKE, COLORADO
Heginbotham Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 382	\$ 382	\$ 381	\$ (1)
Total revenues	382	382	381	(1)
Expenditures				
Current				
Culture and recreation				-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	382	382	381	(1)
Other financing uses				
Transfers out	(860)	(860)	(721)	139
Net change in fund balance	\$ (478)	\$ (478)	(340)	\$ 138
Fund balance at beginning of year			36,768	
Fund balance at end of year			\$ 36,428	

CITY OF HOLYOKE, COLORADO
Library Land Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 500	\$ 500	\$ 494	\$ (6)
Total revenues	500	500	494	(6)
Expenditures				
Current				
Culture and recreation				-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	500	500	494	(6)
Other financing uses				
Transfers out	(500)	(500)	(500)	-
Net change in fund balance	\$ -	\$ -	(6)	\$ (6)
Fund balance at beginning of year			48,499	
Fund balance at end of year			\$ 48,493	

CITY OF HOLYOKE, COLORADO
Spindler Library Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 23	\$ 23	\$ 57	\$ 34
Total revenues	23	23	57	34
Expenditures				
Current				
Culture and recreation				-
Total expenditures	-	-	-	-
Net change in fund balance	\$ 23	\$ 23	57	\$ 34
Fund balance at beginning of year			7,612	
Fund balance at end of year			\$ 7,669	

CITY OF HOLYOKE, COLORADO
Cemetery Perpetual Care Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 1,010	\$ 1,010	\$ 635	\$ (375)
Sale of cemetery plots	3,500	3,500	2,550	(950)
Total revenues	4,510	4,510	3,185	(1,325)
Expenditures				
Current				
Health and welfare				-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	4,510	4,510	3,185	(1,325)
Other financing uses				
Transfers out	(1,010)	(1,010)	(608)	402
Net change in fund balance	<u>\$ 3,500</u>	<u>\$ 3,500</u>	2,577	<u>\$ (923)</u>
Fund balance at beginning of year			214,645	
Fund balance at end of year			<u>\$ 217,222</u>	

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Lottery proceeds	\$ 24,000	\$ 24,000	\$ 25,064	\$ 1,064
Earnings on investments	80	80	140	60
Total revenues	24,080	24,080	25,204	1,124
Expenditures				
Current				
Culture and recreation			85,500	(85,500)
Total expenditures	-	-	85,500	(85,500)
Excess of revenues over (under) expenditures	24,080	24,080	(60,296)	(84,376)
Other financing uses				
Transfers out	(135,000)	(135,000)		135,000
Net change in fund balance	\$ (110,920)	\$ (110,920)	(60,296)	\$ 50,624
Fund balance at beginning of year			99,532	
Fund balance at end of year			\$ 39,236	

CITY OF HOLYOKE, COLORADO
Cemetery White Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 41	\$ 41	\$ 102	\$ 61
Total revenues	41	41	102	61
Expenditures				
Current				
Health and welfare				-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	41	41	102	61
Other financing uses				
Transfers out	(41)	(41)	(41)	-
Net change in fund balance	\$ -	\$ -	61	\$ 61
Fund balance at beginning of year			41,088	
Fund balance at end of year			\$ 41,149	

CITY OF HOLYOKE, COLORADO
Massman Memorial Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 51	\$ 51	\$ 128	\$ 77
Total revenues	51	51	128	77
Expenditures				
Current				
Culture and recreation	25,000	25,000		25,000
Total expenditures	25,000	25,000	-	25,000
Excess of revenues over (under) expenditures	(24,949)	(24,949)	128	25,077
Other financing uses				
Transfers out	(51)	(51)	(51)	-
Net change in fund balance	\$ (25,000)	\$ (25,000)	77	\$ 25,077
Fund balance at beginning of year			50,897	
Fund balance at end of year			\$ 50,974	

CITY OF HOLYOKE, COLORADO
Firemen's Pension Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 9,992	\$ 9,992	\$ 10,021	\$ 29
State matching funds	7,500	7,500		(7,500)
Earnings on investments	4,500	4,500		(4,500)
Total revenues	21,992	21,992	10,021	(11,971)
Expenditures				
Public safety				
Contributions to FPPA	16,000	16,000	9,821	6,179
County treasurer's fees	190	190	200	(10)
Administrative fees	1,500	1,500		1,500
Total expenditures	17,690	17,690	10,021	7,669
Net change in fund balance	\$ 4,302	\$ 4,302	-	\$ (4,302)
Fund balance at beginning of year			30	
Fund balance at end of yeast			\$ 30	

CITY OF HOLYOKE, COLORADO
LeBlanc Estate Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 2,495	\$ 2,495	\$ 2,533	\$ 38
Total revenues	2,495	2,495	2,533	38
Expenditures				
Current				
Health and welfare				-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	2,495	2,495	2,533	38
Other financing uses				
Transfers out	(2,495)	(2,495)	(1,751)	744
Net change in fund balance	\$ -	\$ -	782	\$ 782
Fund balance at beginning of year			220,330	
Fund balance at end of year			\$ 221,112	

Budgetary Comparison Schedules – Enterprise Funds

The City reports the following major proprietary fund:

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

- Utility Fund - This fund was established to account for all operations of the electric, water, sewer and refuse utility services provided by the City.

CITY OF HOLYOKE, COLORADO
Utility Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 3,295,675	\$ 3,295,675	\$ 3,233,555	\$ (62,120)
Total operating revenues	3,295,675	3,295,675	3,233,555	(62,120)
Operating expenses				
Salaries	585,857	585,857	585,900	(43)
Benefits	267,620	267,620	245,333	22,287
Supplies	82,400	82,400	40,054	42,346
Repairs and maintenance	204,500	204,500	54,911	149,589
Farm	6,000	6,000	6,209	(209)
Water pumping	56,000	56,000	48,435	7,565
Publications and legal notices	1,000	1,000		1,000
Membership and dues	4,000	4,000	4,026	(26)
Utilities	1,200,206	1,200,206	1,157,297	42,909
Legal and professional	49,000	49,000	24,684	24,316
Testing	12,500	12,500	4,563	7,937
Travel and meetings	6,000	6,000	1,213	4,787
Landfill	53,000	53,000	48,363	4,637
Insurance	35,000	35,000	31,355	3,645
Bad debts	5,000	5,000	848	4,152
Website	5,000	5,000	2,900	2,100
Capital outlay	200,000	200,000	288,709	(88,709)
Total operating expenses	2,773,083	2,773,083	2,544,800	228,283
Operating income	522,592	522,592	688,755	166,163
Nonoperating revenues				
Earnings on investments	31,000	31,000	51,896	20,896
Property rent	97,650	97,650	96,301	(1,349)
Miscellaneous	43,900	43,900	30,438	(13,462)
Total nonoperating revenues	172,550	172,550	178,635	6,085
Net income before transfers	695,142	695,142	867,390	172,248

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Transfers in	205,500	205,500		(205,500)
Transfers out	(870,000)	(870,000)	(832,398)	37,602
Change in net position	<u>\$ 30,642</u>	<u>\$ 30,642</u>	34,992	<u>\$ 209,850</u>
Adjustments to GAAP Basis				
Add capital outlay			288,709	
Deduct depreciation			(156,901)	
Change in net position - GAAP Basis			166,800	
Net position at beginning of year			9,152,761	
Net position at end of year			<u>\$ 9,319,561</u>	

CITY OF HOLYOKE, COLORADO

Utility Fund

**Schedule of Revenues, Expenses and Changes in Net Position by Department
For the Year Ended December 31, 2016**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>
Operating revenues				
Charges for services	\$ 2,532,743	\$ 216,168	\$ 249,162	\$ 235,482
Total operating revenues	2,532,743	216,168	249,162	235,482
Operating expenses				
Salaries	198,625	60,645	43,317	79,549
Benefits	80,878	19,730	22,152	44,843
Supplies	5,070	11,376	3,627	5,929
Repairs and maintenance	23,685	14,821	3,358	5,965
Farm		6,209		
Water pumping		48,435		
Membership and dues		590		
Utilities	1,132,840	701	17,026	838
Legal and professional				
Testing		2,982	1,581	
Travel and meetings		588		
Landfill				48,363
Website				
Depreciation	38,307	30,911	58,704	12,986
Insurance				
Bad debts	848			
Total operating expenses	1,480,253	196,988	149,765	198,473
Operating income (loss)	1,052,490	19,180	99,397	37,009
Nonoperating revenues				
Earnings on investments	51,896			
Property rent		93,451		
Miscellaneous	21,749	3,796	1,388	3,505
Total nonoperating revenues	73,645	97,247	1,388	3,505
Net income (loss) before transfers	1,126,135	116,427	100,785	40,514
Transfers out	(702,398)	(50,000)	(75,000)	(5,000)
Change in net position	\$ 423,737	\$ 66,427	\$ 25,785	\$ 35,514

<u>Administration</u>	<u>Total</u>
	\$ 3,233,555
\$ -	3,233,555
203,764	585,900
77,730	245,333
14,052	40,054
7,082	54,911
	6,209
	48,435
3,436	4,026
5,892	1,157,297
24,684	24,684
	4,563
625	1,213
	48,363
2,900	2,900
15,993	156,901
31,355	31,355
	848
<u>387,513</u>	<u>2,412,992</u>
(387,513)	820,563
	51,896
2,850	96,301
	30,438
<u>2,850</u>	<u>178,635</u>
(384,663)	999,198
	(832,398)
<u>\$ (384,663)</u>	<u>\$ 166,800</u>

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

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

LOCAL HIGHWAY FINANCE REPORT		City or County: City City of Holyoke
		YEAR ENDING : December 2016
This Information From The Records Of (example - City of _ or County of _) City of Holyoke, Colorado		Prepared By: Kathleen L. Olofson, CMC Phone: 970-854-2266

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	55,653
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	461,886
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	272,456	b. Snow and ice removal	
3. Other local imposts (from page 2)	201,616	c. Other	55,000
4. Miscellaneous local receipts (from page 2)		d. Total (a. through c.)	55,000
5. Transfers from toll facilities		4. General administration & miscellaneous	3,160
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	575,699
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	474,072	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	101,627	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	575,699	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)	575,699

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
		575,699	575,699		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
State Highway- 12/16

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	201,616	g. Other Misc. Receipts	
6. Total (1. through 5.)	201,616	h. Other	
c. Total (a. + b.)	201,616	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	87,278	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	10,269	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	4,080	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	14,349	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	101,627	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		55,653	55,653
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	55,653	55,653
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	55,653	55,653
			(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 HOLYOKE, 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>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u> Airport Improvement Program	20.106	\$ -	\$ 1,114,546
Total expenditures of federal awards		<u>\$ -</u>	<u>\$ 1,114,546</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF HOLYOKE, 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 Holyoke, 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 Holyoke, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Holyoke, Colorado.

Note B – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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 Holyoke
Holyoke, 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 City of Holyoke, Colorado (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 May 19, 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
May 19, 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 Holyoke
Holyoke, Colorado

Report on Compliance of Each Major Federal Program

We have audited City of Holyoke, Colorado'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, contracts, 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
May 19, 2017

CITY OF HOLYOKE, 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 Holyoke, Colorado (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 program tested as major programs included:

Airport Improvement Program	CFDA No. 20.106
-----------------------------	-----------------
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.