

**CITY OF LAMAR
LAMAR, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**



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FINANCIAL SECTION

CITY OF LAMAR, COLORADO
MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis (MD&A) section is designed to provide management's overview and analysis of the City's financial activities, resulting changes, and currently known facts. Please refer to the City of Lamar's Financial Statements which begin on the pages following this MD&A.

INTRODUCTION

The City of Lamar was incorporated in 1886 as a political subdivision of the State of Colorado. In 1962, by vote of the citizens of Lamar, the City became a Home Rule City. The City operates under a Mayor-Council form of government. The Council provides strategic leadership, goal setting and policy-making authority and employs a City Administrator, a Treasurer and a City Clerk to provide day-to-day management, financial and technical support to ensure equitable, efficient and effective implementation of government services to our citizens. The City provides a full range of services, including public safety (fire, police, 9-1-1 Dispatch, and E.M.S.), public utilities (electrical power, sanitation, water and wastewater), infrastructure (drainage, streets, public buildings, airport, and cemeteries), and cultural and recreational programs (library, parks, swimming pool, and recreation activities to promote lifetime wellness).

STATEMENT OF NET POSITION

The following information (Table 1) is excerpted and summarized from the Statement of Net Position which can be found on page 3 of this report. For purposes of this Management Discussion and Analysis, the City's 2016 information presented here is shown on a comparative basis to the information extracted from the 2015 and 2014 audited financial statements. In this summary presentation, rounding can affect the "footing" and "cross-footing" of the columns.

TABLE 1

	NET POSITION (in millions)								
	Governmental Activities			Business Type Activities			Total Primary Government		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Assets									
Current & Other Assets	4.48	5.20	5.46	13.08	12.20	11.07	17.56	17.40	16.52
Noncurrent Assets	14.80	14.33	12.81	28.92	29.90	30.45	43.72	44.22	43.26
Total Assets	19.28	19.52	18.27	42.00	42.10	41.52	61.28	61.62	59.79
Deferred Outflows-Loss on Refunding	-	0.03	0.03	-	-	-	-	0.03	0.03
Deferred Outflows-Pensions	0.12	0.05		0.80	0.36		0.92	0.41	
Liabilities									
Noncurrent Liabilities	2.14	1.45	1.66	15.24	15.14	13.05	17.37	16.59	14.72
Current Liabilities	0.58	0.71	0.89	1.38	2.51	2.30	1.96	3.22	3.18
Total Liabilities	2.72	2.16	2.55	16.61	17.66	15.35	19.33	19.81	17.90
Deferred Inflows-Unearned Property Tax Revenue	0.44	0.44	0.45	-	-	-	0.44	0.44	0.45
Deferred Inflows-Pensions	0.02	-		0.44	0.12		0.46	0.12	
Net Position									
Invested in Capital Assets, net of debt	11.87	11.89	11.13	16.99	17.46	17.07	28.86	29.35	28.20
Restricted	3.41	1.05	1.08	1.33	1.57	1.54	4.74	2.63	2.61
Unrestricted	0.94	4.05	3.09	7.44	5.65	7.56	8.37	9.70	10.65
Total Net Position	16.22	17.00	15.30	25.75	24.68	26.16	41.97	41.68	41.46

The Statement of Net Position is the first of the two, “Government-wide” financial statements provided in this report; the other being the Statement of Activities. These government-wide financial statements are presented with an economic resources measurement focus and on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. Under this method of accounting, the City’s Governmental Activities are presented on a basis comparable to that of a private-sector business.

Highlights of Governmental Activities:

Referencing Table 1, and beginning with the Governmental Activities Section, Current & Other Assets have decreased by \$722,000 in 2016, continuing a downward trend begun in 2013. Current Liabilities have also decreased in 2016 by \$133,000. The City’s Current Ratio (a business measure of liquidity) is 7.7 in 2016 compared with a Current Ratio of 5.2 in 2014, indicating improved liquidity. The City’s Noncurrent Assets have increased by \$474,000 from 2015 to 2016 and the increase in Noncurrent Assets from 2014 has been almost \$2.0 million. This reflects the City’s ongoing commitment to renew and replace its aging capital equipment, continue its street resurfacing program and improve its municipal parks. Total Assets in the Governmental Activities section have decreased slightly in 2016 by \$247,000 as the City used some of its cash resources to pay-down current liabilities.

Total Liabilities in the Governmental Activities section have increased by \$556,000 from 2015 to 2016 and by \$168,000 from 2014. The City has been carefully assuming debt to acquire fire-fighting apparatus and to replace its aging fleet of police vehicles. This has resulted in an increase of \$689,000 in the City’s Noncurrent Liabilities.

The City’s Net Position in Governmental Activities at the end of 2016 has increased by \$921,000 from 2014, but decreased by \$776,000 from 2015. This decrease is attributable to a net operating loss for the year 2016. General Government Operating results will be presented later in this Management Discussion & Analysis.

Highlights of Business-Type Activities:

For the City’s Business-Type Activities, Total Assets decreased in 2016 by \$100,000 from 2015. Current & Other Assets increased in 2016 by \$880,000 compared to 2015, and by \$2.0 million from 2014. Noncurrent Assets have decreased by \$1.0 million from 2015 and are \$1.5 million less than 2014.

Business-Type Activities’ Total Liabilities at the end of 2016 were \$1.0 million lower than Total Liabilities at the end of 2015, but \$1.3 million greater than at year-end 2014. Current Liabilities are \$1.1 million lower than year-end 2015 and \$900,000 lower than 2014. Noncurrent Liabilities have increased by \$102,000 from year-end 2015 and by \$2.2 million from 2014.

The City’s Net Position in its Business-type Activities has increased in 2016 by \$1.1 million. The amount of Net Position invested in Capital Assets-net of debt at year-end 2016 was \$17.0 million. This is a half-million dollar decrease from the Net Position invested in Capital Assets at the end of 2015 and lower than 2014, however, the average of Net Position invested in Capital

Assets in the past three years is \$1.4 million greater than the average for the seven year period 2010 through 2016.

The growth of Current and Other Assets, the increase in Net Position-Unrestricted, and a Current Ratio at the end of 2016 of 9.5 put the City's Business-type Activities in a strong position to invest in replacing and improving its capital assets in future periods.

Highlights of Total Primary Government:

Taken together the Governmental Activities section of Table 1 and the Business-type Activities yield the results reported in the Total Primary Government section. Overall, the City's government has managed a steady increase in its Current & Other Assets over the three year period reported here. While Noncurrent Assets have shown a decrease of \$0.5 million from 2015 to 2016, the balance at year-end 2016 is \$460,000 greater than the balance at year-end 2014. Total Assets for the Total Primary Government are 2.5% greater at the end of 2016 than they were at the end of 2014.

Total Liabilities for the Government of \$19.3 million at the end of 2016 were \$1.4 million greater than at the end of 2014, an increase of 7.9%. Noncurrent Liabilities have increased by 18% since 2014 to recognize the liability for employee compensated absences and the liability for the underfunding of Colorado PERA, the defined-benefit pension plan of the City's electric utility. Current Liabilities have decreased by 38% over the same period. The Total Government has a Current Ratio of 8.96 at December 31, 2016 compared to a Current Ratio of 5.2 at the end of 2014.

The Net Position of the Total Government increased by \$293,000 during 2016, and increased by \$0.5 million compared to December 31, 2014. The amount of the City's Net Position invested in Capital assets decreased by \$487,000 from 2015 to 2016, but has increased from the investment at year-end 2014 by \$657,000. The Net Position-Restricted has increased in 2016 by \$2.1 million, nearly doubling the Restricted balance at year-end 2015. This increase was largely due to the City's recognition of certain fund balance as restricted that had been previously reported as unrestricted. The Net Position-Unrestricted has decreased \$1.3 million from 2015.

STATEMENT OF ACTIVITIES

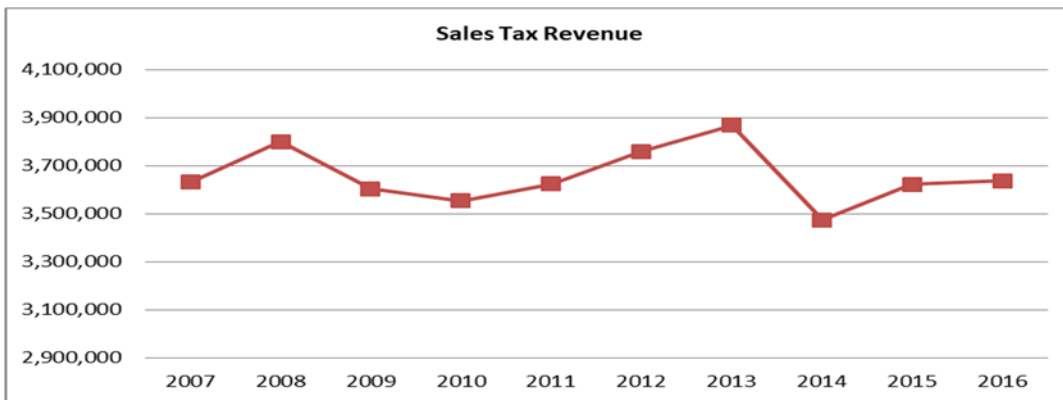
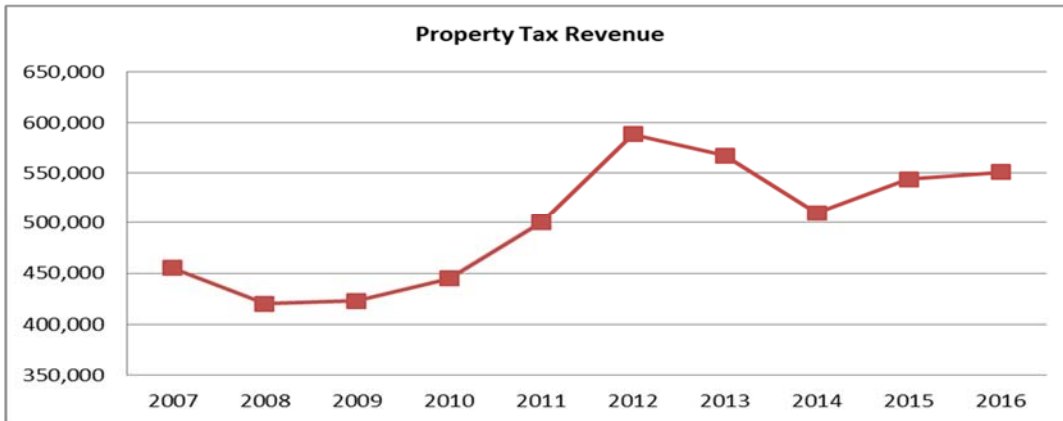
The second of the two "Government-wide" financial statements provided in this report is the Statement of Activities for the year ended December 31, 2016 which can be found on page 4 of this report. The information from that Statement is excerpted and presented here in this management discussion in a somewhat different format which management believes emphasizes that the goal is to manage both the governmental operations and the City's business operations in such a way that the expense of providing service does not exceed the revenues available. For that reason, the various sources of revenue are reported first, followed by the expenses. The expenses are then subtracted from the revenues and the surplus or deficit is clearly shown as the "Change in Net Position". Table 2, below, presents that information for the City's Governmental Activities in 2016 and it is shown on a comparative basis with 2015 and 2014 to improve the reader's understanding of operations and identify important trends as they develop to better anticipate the future.

Highlights of Governmental Activities

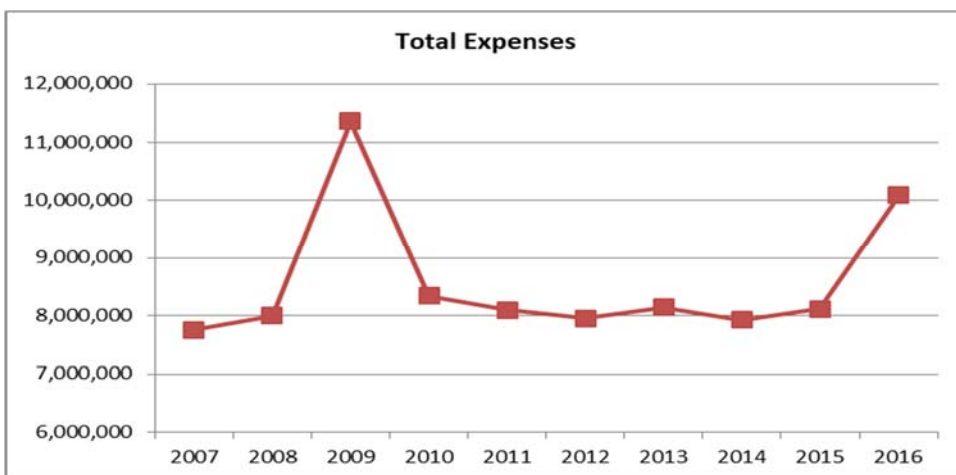
Total Revenues for 2016 increased by \$531,000 or 6.1%, after decreasing by \$906,000 in 2015. The increase in revenue came largely from a \$663,000 increase in Grants-Operating and a \$90,000 increase in Transfers-in. There were small increases in Property Tax (1.2%) and Sales Tax (0.4%) receipts as well.

	STATEMENT OF ACTIVITIES		
	Governmental Activities		
	2016	2015	2014
REVENUES:			
Program Revenues:			
Charges for Services	1,087,052	1,306,820	1,330,663
Grants-Operating	1,492,151	829,265	1,871,797
Non-Restricted Grants & Contributions		125,744	59,518
General Revenues:			
Property Taxes	551,138	543,847	510,028
Specific Ownership Taxes	68,467		
Cigarette Tax	13,196	13,507	14,467
Sales Tax	3,637,473	3,623,138	3,474,140
Franchise Fees	188,277	220,201	218,276
Miscellaneous	89,316	37,690	8,847
Unrestricted Interest	12,208	13,286	12,752
Sale of Assets	(6,027)	(21,927)	
Transfers	2,088,460	1,998,163	2,095,167
Total Revenues	<u>9,221,711</u>	<u>8,689,734</u>	<u>9,595,655</u>
EXPENSES:			
General Government	3,298,015	2,597,918	2,351,203
Public Safety	2,994,392	2,423,285	2,517,309
Public Works	1,982,447	1,071,378	1,101,372
Cemetery	217,683	211,316	198,549
Culture & Recreation	1,738,705	1,817,140	1,756,948
Interest on Debt	42,345		
Depreciation - Unallocated	(174,826)		
Total Expenses	<u>10,098,761</u>	<u>8,121,037</u>	<u>7,925,381</u>
CHANGE IN NET POSITION	<u>(877,050)</u>	<u>568,697</u>	<u>1,670,274</u>
Prior Period Restatement	100,148		
Net Position Beginning	17,097,597	15,300,319	13,630,045
Change in Accounting Principle	-	1,128,433	
Net Position Ending	<u>16,220,547</u>	<u>16,997,449</u>	<u>15,300,319</u>

Sales taxes and property taxes are the traditional, reliable revenue sources for local government, and those sources have shown a positive increase after 2014's unexpected and significant decline; unpredictability in those sources of revenue increases the importance of prudent management of expenses. The following historical information is presented in graphical form to illustrate the challenges the City's government operations have met over the past nine years. Management believes these graphs confirm the importance of continued careful management of the cost of operations.



As seen in the graph below, with the exception of 2009 and the current year, the City has kept its cost of operations for Governmental Activities under careful control, consistently operating in a narrow range around \$8,000,000. The City’s revenues for governmental operations have shown more variability over the period from 2007 to 2014 and are therefore less predictable. Management’s plan under the circumstances is to continue to press for efficiency and economy of operation at a cost level that can be maintained with high levels of customer service when revenue is low, and when revenues are high, capture the surplus and use it for long-term improvements in the City’s operations and capital assets.



2016 expenses of the General Government were significantly impacted by the costs of litigation with the Arkansas River Power Authority (ARPA) over the failed Lamar Repowering Project (LRP). Those litigation-driven expenses were \$1.8 million in 2016. Without that expense, the City's Governmental Activities expenses would have been a more typical \$8.3 million. Also driving the increase in expenses is the inclusion of depreciation expense in the individual functions and programs of the government: General Government; Public Safety; Public Works; and Culture & Recreation. This expense amounted to an increase of \$776,928 which was not previously accounted for this way. As it was, Total Expenses in 2016 were \$10.1 million, an increase of \$2.0 million or 25% from the 2015 Total Expenses.

Expenses for 2016 exceeded revenues by \$877,000 yielding a decrease in the Net Position of Governmental Activities of \$776,000.

BUSINESS-TYPE ACTIVITIES

The second category of information provided by the Statement of Activities is the results of the City's Business-Type Activities. The information provided in Table 3, below, is excerpted from the Statement of Activities for The Year ended December 31, 2016, found on page 4 of this report. The information from that report is presented in Table 3 in the same summarized, simplified and three-year comparative format as was presented in Table 2, above.

	STATEMENT OF ACTIVITIES		
	Business-Type Activities		
	2016	2015	2014
REVENUES:			
Program Revenues:			
Charges for Services	\$ 19,288,064	\$ 19,596,406	\$ 19,691,308
Grants-Operating	46,250	137,285	1,131,741
Grants-Capital	240,669	50,242	
General Revenues:			
Miscellaneous	696,578	500,705	61,391
Unrestricted Interest	38,315	29,062	28,490
Sale of Assets	(110,840)	-	(354,562)
Transfers	(2,088,460)	(1,998,163)	(2,095,167)
Total Revenues	18,110,576	18,315,537	18,463,201
EXPENSES:			
Utility	13,411,129	13,615,172	14,335,156
Water	1,980,308	1,970,658	2,089,553
Sanitation	1,025,419	954,688	1,031,066
Ambulance	513,552	376,974	296,469
Total Expenses	16,930,408	16,917,492	17,752,244
CHANGE IN NET POSITION	1,180,168	1,398,045	710,957
Prior Period Restatement	(190,525)		
Net Position Beginning	24,761,696	26,162,944	25,451,987
Change in Accounting Principle	-	(2,799,293)	
Net Position Ending	25,751,339	24,761,696	26,162,944

As can be seen from Table 3, Charges for Services are the single most important revenue source for the City's Business Type Activities. The City's Business Type Activities consist of Lamar Light & Power (the electric utility), the Water and Wastewater enterprise, the Sanitation enterprise, and the Emergency Medical Services (Ambulance) enterprise. These operations rely primarily on user fees to generate the revenue needed to pay for the costs of providing services. For that reason, they operate as government-owned businesses to provide services critical to the community's health and welfare without a profit motive. Nonetheless, the primary drivers of business success, superior customer service, and efficiency and effectiveness of service delivery must likewise motivate the government's business operations.

Charges for Services decreased in 2016 by 1.6%, and were 2.0% less than 2014. Lamar Light & Power (the electric utility) has been especially impacted by the failure of the Lamar Re-powering Project with Charges for Service declining 42% since 2010. Charges for services for the Water & Wastewater Enterprise increased from 2015 to 2016 by 14%, marking the first increase in revenue for the Enterprise since 2012. The increase is attributable to the City Council's action to increase rates for water, and to an increase in the number of customers served. Sales for the Sanitation Enterprise increased in 2016 by 6.0% after also increasing in 2015. Rates for commercial haulers to dump at the City's landfill have been increased in 2016, and the Enterprise has added some additional services that it provides for a fee both of which have contributed to increased revenue.

The City's Ambulance Enterprise Fund is also included in and reported as part of the Business-type Activities. In 2016 the operations of the Ambulance Enterprise produced an Operating Loss of \$170,098, following a Loss of \$57,301 in 2015, and a Loss of \$34,006 in 2014. In 2016 The Colorado County of Prowers contributed \$46,250 toward the operation of Lamar's Emergency Medical Services, that contribution and a small amount of miscellaneous revenue reduced the Net Loss in the Ambulance Enterprise to \$118,452 and resulted in a Net Position-ending for the enterprise of \$123,883.

Operating Expenses for the Light & Power Utility decreased by \$143,000 in 2016 as compared with 2015, and the utility had net operating income of \$1.7 million in 2016 which was 26% less than 2015 and 3.0% less than 2014. Non-operating revenue increased from 2015 by 45% and transfers to the City in-lieu of franchise fees were less than 2015 resulting in a positive change in Net Position for the utility of \$625,164.

Operating Expenses for the Water & Wastewater enterprise increased 2.0% in 2016 compared with those in 2015. The increase was driven by an increase in depreciation expense. 2016 operating income increased 66% compared to 2015. Non-operating expense increased slightly for the year and the Water & Wastewater enterprise had a net income of \$364,556 after transfers in lieu of franchise fees. The enterprise had an increase in Net Position at year-end of \$144,000.

The Sanitation enterprise operates residential and commercial/industrial curbside trash collection services, and the municipal landfill. The increase in sales in Sanitation was offset by an increase in operating expenses of 8.6% in 2016 compared to those in 2015, but the enterprise still had a positive change in Net Position for 2016 of \$56,864. A restatement of

results from a prior period of (\$117,166) resulted in a reduction in Net Position ending at the end of 2016 of \$60,000.

GOVERNMENT AS A WHOLE

The third component of the Statement of Activities is the “Government as a Whole” section which combines the results of the Governmental Activities and the City’s Business-Type Activities. Table 4, below, presents the information from the Statement of Activities, For the Year Ended December 31, 2016 simplified and summarized in the same manner as has been described previously, and again presented in comparison with prior years 2015 and 2014.

Table 4

	STATEMENT OF ACTIVITIES Government as a Whole		
	2016	2015	2014
Revenues:			
Program Revenues:			
Charges for Services	\$ 20,375,116	\$ 20,903,226	21,021,971
Grants-Operating	1,538,401	966,550	3,003,538
Grants-Capital	240,669	50,242	
Non-Restricted Grants & Contril	-	125,744	59,518
General Revenues:			
Property Taxes	551,138	543,847	510,028
Specific Ownership Taxes	68,467		
Cigarette Tax	13,196	13,507	14,467
Sales Tax	3,637,473	3,623,138	3,474,140
Franchise Fees	188,277	220,201	
Miscellaneous	785,894	538,395	70,238
Unrestricted Interest	50,523	42,348	41,242
Sale of Assets	(116,867)	(21,927)	(354,562)
Transfers	-	-	-
Total Revenues	27,332,287	27,005,271	28,058,856
Expenses:			
General Government	3,298,015	2,555,985	2,351,203
Public Safety	2,994,392	2,423,285	2,517,309
Public Works	1,982,447	1,071,378	1,101,372
Cemetery	217,683	211,316	198,549
Culture & Recreation	1,738,705	1,817,140	1,756,948
Interest on Long-Term Debt	42,345	41,933	
Depreciation - Unallocated	(174,826)	-	
Utility	13,411,129	13,615,172	14,335,156
Water	1,980,308	1,970,658	2,089,553
Sanitation	1,025,419	954,688	1,031,066
Ambulance	513,552	376,974	296,469
Total Expenses	27,029,169	25,038,529	25,677,625
Change in Net Position	303,118	1,966,742	2,381,231
Prior Period Restatement	(90,377)		
Net Position Beginning	41,668,769	41,463,263	39,082,032
Change in Accounting Principle	-	(1,670,859)	
Net Position Ending	41,971,887	41,759,146	41,463,263

Notable Highlights

Total Revenue for the Government as a Whole increased by 1.0% or \$327,000 in 2016, but was lower than Total Revenue reported in 2014 by \$724,000 or 2.6%. Total expenses increased in 2016 by \$1.99 million or 7.9% and were 5.3% greater than 2014. Total Revenues were more than Total Expenses by \$303,118 resulting in a positive Change in Net Position from operations. A restatement of results in a prior period offset some of the impact of the positive

results from operations, but the City's Net Position at the end of 2016 was \$213,000 higher than 2015.

Management remains concerned by the declining Charges for Services some of the enterprises are experiencing. Lamar Light & Power has seen declining revenues in four out of the last five years. The most significant contributing factor to the sales decline at the electric utility has been the shut-down of the failed Lamar Re-powering Project. Since about 2004, Light & Power has generated revenue in two ways, 1) by invoicing the Arkansas River Power Authority (referred to as ARPA) for the operational costs of operating the Lamar Re-powering Project as the Operating Agent for the Project, and 2) by billing its customers for the electrical power delivered to them. With the recent decision by ARPA to permanently cease operation at the plant, that source of revenue for Lamar Light & Power has been lost, but Light & Power has recently been able to reduce its operating costs to match the decline in revenue. It is expected that as revenues and expenses stabilize at a lower level and operating results become more predictable, the Utility Board of Directors will be better able to manage rates and expenses.

Until 2016 the Water & Wastewater enterprise has had consecutive years of declining revenues. Prior to the increase implemented in 2016, the Water enterprise had not raised its prices in several years. With the continuing significant investment, the City is making in capital asset replacement and renewal an additional increase in rates has been made for 2017.

The Sanitation enterprise has now had consecutive years of sales increases. The audit of customer accounts that has been conducted has eliminated some of the under-billing for services that had been going on and the addition of new operating equipment two years ago has enabled the Enterprise to offer its customers a new line of service and generate a new stream of revenue that had not previously been possible. Nonetheless ongoing capital asset investment has continued and rates and fees have been adjusted again for 2017 and will likely continue to be reviewed and adjusted as necessary.

CAPITAL ASSETS

Governmental Activities:

At the end of 2016, the City of Lamar's Governmental Activities had a net investment of \$13,621,773 (see Table 5) in a broad range of capital assets including streets, buildings, bridges, parks and ball fields, municipal swimming pool, library and various equipment necessary to provide police, fire, ambulance, and sanitation services. This amount represents an increase of \$651,000 or 5.0% over 2015. The City has made a determined effort to invest in the renewal and replacement of its capital equipment. Progress has been slow, but steady. The effort will continue for the foreseeable future as routine replacement has been too long deferred.

Table 5

	Balance at 12/31/15	Increases	Decreases	Balance at 12/31/16
Governmental Activities				
Total Capital Assets Not being Depreciated	862,209	35,142	-	897,351
Total Capital Assets Being Depreciated	25,697,977	1,434,817	318,463	26,814,331
Accumulated Depreciation	(13,589,245)	(776,928)	(276,264)	(14,089,909)
Capital Assets, Net	12,970,941	693,031	42,199	13,621,773
Business-Type Activities				
Total Capital Assets Not being Depreciated	2,311,271	223,709	-	2,534,980
Total Capital Assets Being Depreciated	50,817,736	5,673,286	500,957	55,990,065
Accumulated Depreciation	(28,612,660)	(1,364,081)	(374,666)	(29,602,075)
Capital Assets, Net	24,516,347	4,532,914	126,291	28,922,970
Government as a Whole				
Capital Assets, Net	37,487,288	5,225,945	168,490	42,544,743

Business-type Activities:

For the City's Business-type Activities, the investment in capital assets net of depreciation at 2016 year-end was \$28,922,970 an increase of 18.0% or \$4.4 million from 2015. The Business-type capital assets include storm-water drainage, water distribution and wastewater collection systems, electrical transmission and distribution systems, AMI radio-meter-reading systems, SCADA remote equipment management systems, water storage, buildings, land, equipment and various heavy equipment for the maintenance of these assets.

Major capital asset additions for 2016 include:

Police Department – Acquire and deploy new Motorola Radios - \$267,240

Police Department – Acquire 3 2016 Dodge Ram Pickups - \$61,574

Fire Department – Acquire new Pierce Fire Engine - \$643,249

Fire Department – Acquire new SCBA air compressor - \$51,502

Airport – Acquire mower for the airport - \$5,000

Parks & Recreation – North Gateway Park – Floating Dock - \$14,031

Parks & Recreation – North Gateway Park – Restroom - \$19,430

Parks & Recreation – 2 Mowers and 1 Spreader - \$18,398

Parks & Recreation - 2 Ballfield Scoreboards - \$14,565

Parks & Recreation – Construct 2 new ballfields - \$285,952

Library – Security Gates - \$12,355

Sanitation – Acquire 2017 Mack Compactor Truck - \$249,799

Sanitation – 2016 Ford F-250 - \$35,999

Lamar Light & Power – Purchase of underground conductors, transformers, poles, towers and fixtures, service vehicles, office equipment and shop and garage equipment - \$522,920

Water & Wastewater – 10th and Washington Sewer Main Pipeliner - \$38,370

Capital asset renewal and replacement is a major concern for the City. The City's built infrastructure continues to age and in some cases fail. The City has had significant capital asset construction projects in recent years, and has also invested heavily in the replacement of its heavy equipment fleet. The City's capital investment efforts in the Business-type Activities will continue at this increased pace in order to maintain the quality of services our customers expect.

DEBT ADMINISTRATION:

At year-end 2016, the City had a total of \$13,228,232 of bonds, loans, and capital leases outstanding as compared with \$13,653,348 outstanding at year-end 2015, a decrease of \$425,116 or 3.1%. For the City's Governmental Activities, total long-Term Debt increased by 33.9% compared to year-end 2015 due to entering into new capital leases. In the Business-type Activities, Long-Term Debt decreased by \$863,000 or 6.9% compared to year-end 2015. The City has been using financial leverage in its Governmental Activities to increase its investment in renewal and replacement of capital assets.

Additional information regarding the City's long-term debt can be found in the Notes To Financial Statements, Note 4 on page 24 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic growth remains steady but slow. The City is seeing continued investment in new retail stores and restaurants, a new light manufacturing employer, the easing of the nearly decade-long drought in Prowers County and the construction of new homes in the City are all indicators that the City's economic situation is improving. The City of Lamar, Prowers County and the surrounding counties are primarily agricultural-based economies. According to the U.S. Census, the population of the City of Lamar declined from 8,869 in 2000 to 7,804 in 2010. The Colorado State Demographer's office estimates that the City's population has continued to decline since 2010, providing a recent estimate of the City's population as 7,444. On the other hand, the City's business enterprise units have seen small increases in the total number of customers they serve reversing a downward trend that began several years ago.

Fortunately, the City of Lamar is the largest city in the area and is well situated to be, and has in fact been, for much of its history, a regional center of commerce. Its position is enhanced by the fact that the City straddles three major U.S. highways; U.S. highways 50/385 and U.S. Highway 287, otherwise known as the Ports-to-Plains Highway, which has become the major western corridor for international commerce between the U.S., Canada and the Republic of Mexico. Additionally the city has, from its inception been a railroad hub, and still has passenger rail service from the Lamar Depot with two stops daily by AMTRAK's Southwest Chief. The modest but steady growth in revenues seen in recent years suggests that the City has a stable base on which to build.

In 2013 the Lamar Partnership Inc., Lamar's Main Street organization, commissioned a Market Niche Study for the City. That study asserts that the City's natural market area encompasses Kit Carson in the north, Walsh in the south, Syracuse, Kansas to the east and nearly Las Animas to the west. The study further claims that the spendable annual earnings in this market area that should naturally be spent in Lamar are \$150.0 million. The report further states that Lamar

currently only captures \$70.0 million of this available spending, leaving an untapped retail opportunity of \$80.0 million dollars annually in the City. It is management's intent to make, and encourage private developers to make, careful investments in the City's retail shopping environment to enhance the shopping experience in Lamar and thereby make an effort to capture some of that \$80.0 million of retail leakage. To this end, the City has recently completed construction on a mini, or "pocket" arts-park in a formerly vacant dirt and gravel lot located in the heart of the downtown retail area. The City has also applied for a grant from the Colorado Department of Transportation for the construction of pedestrian streetscape enhancements in the core downtown retail area. The Colorado Department of Transportation has begun work on a major reconstruction of U.S. Highway 287 through the heart of Lamar.

The City's 2017 General Fund Budget anticipates an increase in Sales and Use tax revenues of 3.0% from the 2016 budgeted amounts. Total General Fund revenue for 2017 is projected to increase 2.2% from the amounts budgeted for 2016, and 2.8% more than actual revenues in 2016. The City's 2017 General Fund expenditure budget has been established as 8.4% less than for 2016. The budget projects that expenditures will exceed revenues in 2017 by \$384,161. There will be no increase in the Sales Tax rate for 2016. Property Tax rates in the City will also remain unchanged in 2017, marking the twenty-ninth consecutive year that the mill-levy has not increased.

The 2017 budget for the Sanitation Enterprise projects an increase in revenue of 4.6% from the 2016 budget. In the case of the Water & Wastewater Enterprise Fund the budget projection is for an increase in operating revenues in 2017 of 7.2% as compared to 2016, due to a restructuring of the rates for water for both residential and commercial customers that was implemented by the City Council in late 2016. Sanitation Enterprise operating expenditures are budgeted to increase in 2017 by 2.6%. Revenue in Sanitation is expected to exceed expenses by \$82,861. Total Expenses for the Water & Wastewater Enterprise are budgeted to decrease by 25.0% from the 2016 budget levels. Total Revenues are expected to exceed expenses by \$304,290. Management is continuing to monitor the rates and fees for the enterprise to ensure the operation is sustainable.

The City's electric utility, Lamar Light & Power, unlike the City's other enterprises has had a reasonably steady customer base, and sales of electricity have actually increased over the past year. While there is continuing resistance to rate increases necessitated by the debt incurred for the years-old, coal-fired Repowering Project, the Utility Board has implemented an Electric Cost Adjustment to their rates for 2017. Nonetheless, costs and revenues were under control for 2016 and revenues are expected to exceed expenses for 2017.

Overall, the 2016 fiscal year was a success for the City on many levels, the outlook for the City remains positive, and we look forward to more success in 2017 and beyond.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lamar's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the City of Lamar 102 E Parmenter Street, Lamar, CO 81052.

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

City Council
City of Lamar
Lamar, Colorado

INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules(Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1- M12 and Pension Schedules on pages 53 - 60 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.

Required Supplementary Information on Budgetary Comparison Schedules and Other Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. In addition, the combining and budgetary comparison statements and schedules listed as other supplementary information pages 64 -85 are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. *Local Highway Finance Report* pages 86 - 87 are presented for purposes of legal and debt compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
July 28, 2017

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the City's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of all funds and activities as of December 31, 2016.

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CITY OF LAMAR, COLORADO

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash	\$ 1,454,853	\$ 8,015,180	\$ 9,470,033
Investments	1,355,448	374,006	1,729,454
Restricted Cash and Investments	721,059	1,760,222	2,481,281
Receivables			
Property Tax Receivable	441,547	-	441,547
Intergovernmental Receivables	17,833	-	17,833
Interest Receivable	94	2,459	2,553
Customer Receivable	-	1,912,205	1,912,205
Accounts Receivable	10,259	-	10,259
Other Receivables	301,435	357,737	659,172
Internal Balances	155,320	(155,320)	-
Inventory	-	803,457	803,457
Prepaid Expenses	17,725	9,803	27,528
Total Current Assets	<u>4,475,573</u>	<u>13,079,749</u>	<u>17,555,322</u>
Noncurrent Assets			
Capital Assets not being Depreciated	897,351	2,534,980	3,432,331
Capital Assets being Depreciated	26,814,331	55,990,065	82,804,396
Accumulated Depreciation	(14,089,909)	(29,602,075)	(43,691,984)
Net Pension Asset	1,178,290	-	1,178,290
Total Noncurrent Assets	<u>14,800,063</u>	<u>28,922,970</u>	<u>43,723,033</u>
TOTAL ASSETS	<u>19,275,636</u>	<u>42,002,719</u>	<u>61,278,355</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
Pension Contribution Timing	26,980	209,271	236,251
Pension Investment Earnings Timing	82,889	565,632	648,521
Pension Benefits Timing	11,921	22,045	33,966
TOTAL DEFERRED OUTFLOWS	<u>121,790</u>	<u>796,948</u>	<u>918,738</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 19,397,426</u>	<u>\$ 42,799,667</u>	<u>\$ 62,197,093</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 301,017	\$ 852,092	\$ 1,153,109
Accrued Salaries and Benefits	250,296	161,836	412,132
Deposits and Escrow	9,232	283,561	292,793
Accrued Interest Payable	19,640	75,171	94,811
Other Current Liabilities	-	2,595	2,595
Total Current Liabilities	<u>580,185</u>	<u>1,375,255</u>	<u>1,955,440</u>
Noncurrent Liabilities			
Due within one year	341,789	1,153,691	1,495,480
Due in more than one year	1,793,358	14,083,638	15,876,996
Total Noncurrent Liabilities	<u>2,135,147</u>	<u>15,237,329</u>	<u>17,372,476</u>
TOTAL LIABILITIES	<u>2,715,332</u>	<u>16,612,584</u>	<u>19,327,916</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	441,547	-	441,547
Pension Benefits Timing	-	101	101
Pens External Change in %	-	381,825	381,825
Pens Change in Assumptions	-	53,818	53,818
Deferred Grants	6,000	-	6,000
Other Deferred Inflows	14,000	-	14,000
TOTAL DEFERRED INFLOWS	<u>461,547</u>	<u>435,744</u>	<u>897,291</u>
NET POSITION			
Net Investment in Capital Assets	11,873,752	16,988,311	28,862,063
Restricted Net Position	3,411,451	1,325,414	4,736,865
Unrestricted Net Position	935,344	7,437,614	8,372,958
TOTAL NET POSITION	<u>16,220,547</u>	<u>25,751,339</u>	<u>41,971,886</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 19,397,426</u>	<u>\$ 42,799,667</u>	<u>\$ 62,197,093</u>

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

CITY OF LAMAR

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
FUNCTIONS/PROGRAMS				
Government Activities				
Current:				
General Government	\$ 3,298,015	\$ 812,831	\$ 1,102,877	\$ -
Public Safety	2,994,392	39,168	-	-
Public Works	1,982,447	100,617	306,277	-
Culture and Recreation	1,956,388	134,436	82,997	-
Interest on Debt	42,345	-	-	-
Depreciation - Unallocated	(174,826)	-	-	-
TOTAL GOVERNMENT ACTIVITIES	<u>10,098,761</u>	<u>1,087,052</u>	<u>1,492,151</u>	<u>-</u>
Business-type Activities				
Current:				
Sanitation	1,025,419	1,290,942	-	-
Water & Wastewater	1,980,308	2,592,324	-	240,669
Ambulance	513,552	343,454	46,250	-
Utility	13,411,129	15,061,344	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>16,930,408</u>	<u>19,288,064</u>	<u>46,250</u>	<u>240,669</u>
TOTAL GOVERNMENT	<u>\$ 27,029,169</u>	<u>\$ 20,375,116</u>	<u>\$ 1,538,401</u>	<u>\$ 240,669</u>
GENERAL REVENUES				
Property Taxes				
Specific Ownership Taxes				
Sales and Use Taxes				
Franchise and In Lieu of Taxes				
Other Taxes				
Interest Income				
Gain (Loss) on Disposal of Capital Assets				
Insurance Proceeds				
Other Revenues				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION - Beginning				
Prior Period Restatement				
NET POSITION - Beginning (as Restated)				
NET POSITION - Ending				

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (1,382,307)	\$ -	\$ (1,382,307)
(2,955,224)	-	(2,955,224)
(1,575,553)	-	(1,575,553)
(1,738,955)	-	(1,738,955)
(42,345)	-	(42,345)
<u>174,826</u>	<u>-</u>	<u>174,826</u>
<u>(7,519,558)</u>	<u>-</u>	<u>(7,519,558)</u>
-	265,523	265,523
-	852,685	852,685
-	(123,848)	(123,848)
<u>-</u>	<u>1,650,215</u>	<u>1,650,215</u>
<u>-</u>	<u>2,644,575</u>	<u>2,644,575</u>
<u>(7,519,558)</u>	<u>2,644,575</u>	<u>(4,874,983)</u>
551,138	-	551,138
68,467	-	68,467
3,637,473	-	3,637,473
188,277	-	188,277
2,416	-	2,416
12,208	38,315	50,523
(6,027)	(110,840)	(116,867)
18,684	696,578	715,262
81,412	-	81,412
<u>2,088,460</u>	<u>(2,088,460)</u>	<u>-</u>
<u>6,642,508</u>	<u>(1,464,407)</u>	<u>5,178,101</u>
<u>(877,050)</u>	<u>1,180,168</u>	<u>303,118</u>
16,997,449	24,761,696	41,759,145
<u>100,148</u>	<u>(190,525)</u>	<u>(90,377)</u>
<u>17,097,597</u>	<u>24,571,171</u>	<u>41,668,768</u>
<u>\$ 16,220,547</u>	<u>\$ 25,751,339</u>	<u>\$ 41,971,886</u>

CITY OF LAMAR, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	<u>CAP PROJ FD</u>			<u>Total</u> <u>2016</u>
	<u>General</u> <u>Fund</u>	<u>Capital Improvement</u> <u>Fund</u>	<u>Other</u> <u>Funds</u>	
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash	\$ 705,181	\$ 447,160	\$ 302,512	\$ 1,454,853
Investments	666,558	568,935	43,821	1,279,314
Restricted Cash and Investments	103,762	-	617,297	721,059
Receivables				
Property Tax Receivable	441,547	-	-	441,547
Intergovernmental Receivables	-	-	17,833	17,833
Interest Receivable	30	-	64	94
Accounts Receivable	10,259	-	-	10,259
Other Receivables	278,000	248	23,187	301,435
Internal Balances	198,432	(61,760)	18,648	155,320
Prepaid Expenses	3,241	2,500	-	5,741
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,407,010</u>	<u>\$ 957,083</u>	<u>\$ 1,023,362</u>	<u>\$ 4,387,455</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 272,781	\$ 20,222	\$ 8,014	\$ 301,017
Accrued Salaries and Benefits	227,135	-	23,161	250,296
Deposits and Escrow	9,077	-	155	9,232
TOTAL LIABILITIES	<u>508,993</u>	<u>20,222</u>	<u>31,330</u>	<u>560,545</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Deferred Property Taxes	441,547	-	-	441,547
Deferred Grants	-	6,000	-	6,000
Other Deferred Inflows	14,000	-	-	14,000
TOTAL DEFERRED INFLOWS	<u>455,547</u>	<u>6,000</u>	<u>-</u>	<u>461,547</u>
FUND BALANCE				
Nonspendable Fund Balance	3,241	2,500	-	5,741
Restricted Fund Balance	358,715	928,621	945,825	2,233,161
Committed Fund Balance	-	-	46,207	46,207
Unassigned Fund Balance	1,080,514	(260)	-	1,080,254
TOTAL FUND BALANCE	<u>1,442,470</u>	<u>930,861</u>	<u>992,032</u>	<u>3,365,363</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2,407,010</u>	<u>\$ 957,083</u>	<u>\$ 1,023,362</u>	<u>\$ 4,387,455</u>

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

CITY OF LAMAR, COLORADO

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION
DECEMBER 31, 2016**

Fund Balance - Governmental Funds		\$ 3,365,363
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds		
Capital assets, not being depreciated	\$ 897,351	
Capital assets, being depreciated	26,814,331	
Accumulated depreciation	<u>(14,089,909)</u>	13,621,773
Deferred charges related to the issuance of debt that are amortized over the life of the issue, but are not reported in the funds		
Certain long-term pension related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds		
Net pension asset	1,178,290	
Contributions subsequent to measurement date	26,980	
Difference between projected and actual investment returns on the pension plan	105,034	
Amortization of the investment return difference	(22,145)	
Difference between projected and actual pension plan experience	15,819	
Amortization of the experience difference	(3,898)	
Change in Assumptions	17,340	
Amortization of Change in Assumptions	(17,340)	
Difference between projected and actual investment returns on the pension plan	(13,105)	
Amortization of the investment return difference	<u>13,105</u>	1,300,080
Internal Service operations primarily benefit Governmental Activities		
Internal Service Fund Net Position		88,118
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.		
Capital leases payable	(1,728,381)	
Accrued interest payable	(19,640)	
Accrued compensated absences	<u>(406,766)</u>	<u>(2,154,787)</u>
Total Net Position - Governmental Activities		<u>\$ 16,220,547</u>

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

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	CAP PROJ FD		Total 2016
		Capital Improvement Fund	Other Funds	
REVENUES				
Taxes	\$ 4,340,967	\$ -	\$ 106,805	\$ 4,447,772
Intergovernmental Revenues	455,052	490,514	310,330	1,255,896
Licenses and Permits	83,250	-	-	83,250
Fines and Forfeits	39,063	-	-	39,063
Charges for Services	949,334	-	15,405	964,739
Investment Earnings	6,746	2,860	2,602	12,208
Other Revenues	137,181	227,459	7,880	372,520
TOTAL REVENUES	6,011,593	720,833	443,022	7,175,448
EXPENDITURES				
Current:				
General Government	2,928,407	-	18,162	2,946,569
Public Safety	2,094,615	-	454,511	2,549,126
Public Works	1,720,658	-	-	1,720,658
Parks, Recreation and Other	1,648,292	-	28,619	1,676,911
Capital Outlay	1,236,431	616,860	98,404	1,951,695
Debt Service	297,316	-	-	297,316
TOTAL EXPENDITURES	9,925,719	616,860	599,696	11,142,275
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(3,914,126)	103,973	(156,674)	(3,966,827)
OTHER FINANCING SOURCES (USES)				
Debt Proceeds	704,823	-	-	704,823
Transfers (In)	1,808,079	25,082	216,249	2,049,410
Transfers (Out)	-	-	(1,478)	(1,478)
TOTAL OTHER FINANCING SOURCES (USES)	2,512,902	25,082	214,771	2,752,755
NET CHANGE IN FUND BALANCE - GAAP BASIS	(1,401,224)	129,055	58,097	(1,214,072)
FUND BALANCE, BEGINNING	2,525,410	801,806	846,974	4,174,190
Prior Period Restatement	318,284	-	86,961	405,245
FUND BALANCE, BEGINNING (As Restated)	2,843,694	801,806	933,935	4,579,435
FUND BALANCE, ENDING	\$ 1,442,470	\$ 930,861	\$ 992,032	\$ 3,365,363

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

CITY OF LAMAR, COLORADO

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016**

Change in Fund Balance - Governmental Funds		\$ (1,214,072)
<p>Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level</p>		
Capitalized Asset Purchases	1,469,959	
Depreciation Expense	(776,928)	
Gain (Loss) on Asset Disposals	<u>(42,199)</u>	650,832
Internal Service operations primarily benefit Governmental Activities		37,091
<p>Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.</p>		
Current year projected to actual investment return difference	80,949	
Current year amortization of overall investment return differences	(6,844)	
Change in net pension asset/liability	7,503	
Current year amortization of overall experience differences	<u>(1,949)</u>	79,659
<p>Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level</p>		
Proceeds from debt issuances	(704,823)	
Principal payments on certificates of participation	267,352	
Change in accrued interest payable	(12,381)	
Change in accrued compensated absences	<u>19,292</u>	<u>(430,560)</u>
Change in Net Position - Governmental Activities		<u>\$ (877,050)</u>

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

CITY OF LAMAR, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities			
	Water & Wastewater	Utility	Other	Total Enterprise
	Fund	Fund	Funds	Funds
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash	\$ 59,406	\$ 7,900,653	\$ 55,121	\$ 8,015,180
Investments	-	-	374,006	374,006
Restricted Cash and Investments	785,534	539,880	434,808	1,760,222
Receivables				
Interest Receivable	206	1,211	1,042	2,459
Customer Receivable	207,122	1,426,855	278,228	1,912,205
Other Receivables	351	341,482	15,904	357,737
Internal Balances	-	(17,700)	(137,620)	(155,320)
Inventory	90,033	713,424	-	803,457
Prepaid Expenses	9,803	-	-	9,803
Total Current Assets	<u>1,152,455</u>	<u>10,905,805</u>	<u>1,021,489</u>	<u>13,079,749</u>
Noncurrent Assets				
Capital Assets not being depreciated	2,119,756	397,224	18,000	2,534,980
Capital Assets being depreciated	20,166,100	32,177,140	3,646,825	55,990,065
Accumulated Depreciation	(7,353,420)	(19,737,180)	(2,511,475)	(29,602,075)
Total Noncurrent Assets	<u>14,932,436</u>	<u>12,837,184</u>	<u>1,153,350</u>	<u>28,922,970</u>
TOTAL ASSETS	<u>16,084,891</u>	<u>23,742,989</u>	<u>2,174,839</u>	<u>42,002,719</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES				
Pension Contribution Timing	-	209,271	-	209,271
Pension Investment Earnings Timing	-	565,632	-	565,632
Pension Benefits Timing	-	22,045	-	22,045
TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>796,948</u>	<u>-</u>	<u>796,948</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 16,084,891</u>	<u>\$ 24,539,937</u>	<u>\$ 2,174,839</u>	<u>\$ 42,799,667</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 28,175	\$ 797,903	\$ 26,014	\$ 852,092
Accrued Salaries and Benefits	23,641	106,080	32,115	161,836
Deposits and Escrow	55,502	228,059	-	283,561
Accrued Interest Payable	16,513	58,658	-	75,171
Other Current Liabilities	2,595	-	-	2,595
Total Current Liabilities	<u>126,426</u>	<u>1,190,700</u>	<u>58,129</u>	<u>1,375,255</u>
Noncurrent Liabilities				
Due within one year	769,066	374,178	10,447	1,153,691
Due in more than one year	8,326,325	5,274,039	483,274	14,083,638
Total Noncurrent Liabilities	<u>9,095,391</u>	<u>5,648,217</u>	<u>493,721</u>	<u>15,237,329</u>
TOTAL LIABILITIES	<u>9,221,817</u>	<u>6,838,917</u>	<u>551,850</u>	<u>16,612,584</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Pension Benefits Timing	-	101	-	101
Pens External Change in %	-	381,825	-	381,825
Pens Change in Assumptions	-	53,818	-	53,818
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>435,744</u>	<u>-</u>	<u>435,744</u>
NET POSITION				
Net Investment in Capital Assets	5,911,259	10,358,510	718,542	16,988,311
Restricted Net Position	785,534	539,880	-	1,325,414
Unrestricted Net Position	166,281	6,366,886	904,447	7,437,614
TOTAL NET POSITION	<u>6,863,074</u>	<u>17,265,276</u>	<u>1,622,989</u>	<u>25,751,339</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 16,084,891</u>	<u>\$ 24,539,937</u>	<u>\$ 2,174,839</u>	<u>\$ 42,799,667</u>

The accompanying notes are an integral part of these financial statements

<u>Govt Act</u>	
<u>Internal</u>	<u>Total</u>
<u>Service</u>	<u>2016</u>
<u>Funds</u>	
\$ -	\$ 8,015,180
76,134	450,140
-	1,760,222
-	2,459
-	1,912,205
-	357,737
-	(155,320)
-	803,457
<u>11,984</u>	<u>21,787</u>
<u>88,118</u>	<u>13,167,867</u>
-	2,534,980
-	55,990,065
-	(29,602,075)
-	<u>28,922,970</u>
<u>88,118</u>	<u>42,090,837</u>
-	209,271
-	565,632
-	22,045
-	<u>796,948</u>
<u>\$ 88,118</u>	<u>\$ 42,887,785</u>

\$ -	\$ 852,092
-	161,836
-	283,561
-	75,171
-	<u>2,595</u>
-	<u>1,375,255</u>
-	1,153,691
-	<u>14,083,638</u>
-	<u>15,237,329</u>
-	<u>16,612,584</u>
-	101
-	381,825
-	<u>53,818</u>
-	<u>435,744</u>
-	16,988,311
-	1,325,414
<u>88,118</u>	<u>7,525,732</u>
<u>88,118</u>	<u>25,839,457</u>
<u>\$ 88,118</u>	<u>\$ 42,887,785</u>

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities			
	Water & Wastewater	Utility	Other	Total Enterprise
	Fund	Fund	Funds	Funds
Operating Revenues				
Utility Charges	\$ 2,555,236	\$ 15,055,846	\$ 1,286,977	\$ 18,898,059
Other Charges for Services	37,088	5,498	347,419	390,005
Total Revenues	<u>2,592,324</u>	<u>15,061,344</u>	<u>1,634,396</u>	<u>19,288,064</u>
Operating Expenses				
Commodity Charges	255,541	-	-	255,541
Ambulance	-	-	459,545	459,545
Collection, Transmission and Distribution	541,443	12,333,225	629,794	13,504,462
Administration	542,152	285,790	286,755	1,114,697
Depreciation Expense	463,126	725,733	162,877	1,351,736
Other Capital Outlay	7,400	-	-	7,400
Total Expenditures	<u>1,809,662</u>	<u>13,344,748</u>	<u>1,538,971</u>	<u>16,693,381</u>
Operating Income (Loss)	<u>782,662</u>	<u>1,716,596</u>	<u>95,425</u>	<u>2,594,683</u>
Other Income (Expense)				
Intergovernmental Revenue	-	-	46,250	46,250
Investment Earnings	2,540	28,759	7,016	38,315
Other Revenue	-	691,183	5,395	696,578
Interest Expense	(170,646)	(66,381)	-	(237,027)
Gain (Loss) on Sale of Assets	-	(106,533)	(4,307)	(110,840)
Total Other Income (Expense)	<u>(168,106)</u>	<u>547,028</u>	<u>54,354</u>	<u>433,276</u>
Net Income (Loss) before Transfers	614,556	2,263,624	149,779	3,027,959
Transfers				
Transfers In/(Out)	<u>(250,000)</u>	<u>(1,638,460)</u>	<u>(200,000)</u>	<u>(2,088,460)</u>
Net Income (Loss)	<u>364,556</u>	<u>625,164</u>	<u>(50,221)</u>	<u>939,499</u>
Contributed Capital				
Plant Investment Fees	8,069	-	-	8,069
Intergovernmental Revenue	232,600	-	-	232,600
Total Contributed Capital	<u>240,669</u>	<u>-</u>	<u>-</u>	<u>240,669</u>
Change in Net Position	<u>605,225</u>	<u>625,164</u>	<u>(50,221)</u>	<u>1,180,168</u>
Net Position, Beginning	6,719,202	16,199,121	1,843,373	24,761,696
Prior Period Restatement	<u>(461,353)</u>	<u>440,991</u>	<u>(170,163)</u>	<u>(190,525)</u>
Net Position, Beginning (As Restated)	<u>6,257,849</u>	<u>16,640,112</u>	<u>1,673,210</u>	<u>24,571,171</u>
Net Position, Ending	<u>\$ 6,863,074</u>	<u>\$ 17,265,276</u>	<u>\$ 1,622,989</u>	<u>\$ 25,751,339</u>

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

Govt Activities	
Internal Service Funds	Total 2016
\$ -	\$ 18,898,059
-	390,005
-	19,288,064
-	255,541
-	459,545
-	13,504,462
3,794	1,118,491
-	1,351,736
-	7,400
3,794	16,697,175
(3,794)	2,590,889
-	46,250
357	38,672
-	696,578
-	(237,027)
-	(110,840)
357	433,633
(3,437)	3,024,522
40,528	(2,047,932)
37,091	976,590
-	8,069
-	232,600
-	240,669
37,091	1,217,259
3,479,577	28,241,273
(3,428,550)	(3,619,075)
51,027	24,622,198
\$ 88,118	\$ 25,839,457

CITY OF LAMAR

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Business-type Activities			
	Water & Wastewater	Utility	Other	Total Enterprise
	Fund	Fund	Funds	Funds
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 2,586,297	\$ 15,322,390	\$ 1,627,045	\$ 19,535,732
Cash Paid to Suppliers	(1,047,925)	(10,919,137)	(860,852)	(12,827,914)
Cash Paid to Employees	(374,372)	(1,925,775)	(481,245)	(2,781,392)
Net Cash Provided by Operating Activities	<u>1,164,000</u>	<u>2,477,478</u>	<u>284,948</u>	<u>3,926,426</u>
Cash Flows From Capital and Related Financing Activities:				
Tap Fees Received	8,069	-	-	8,069
Change in Closure/Post Closure Liability	-	-	21,246	21,246
Loan Proceeds	195,500	-	-	195,500
Debt Principal Payments	(735,831)	(319,936)	-	(1,055,767)
Grant Proceeds	232,600	-	46,250	278,850
Interest Payments	(174,600)	(69,666)	-	(244,266)
Proceeds of Capital Asset Sales	-	-	(868)	(868)
Acquisition of Capital Assets	(268,308)	(522,920)	(291,049)	(1,082,277)
Cash Flows Used by Capital and Related Financing Activities	<u>(742,570)</u>	<u>(912,522)</u>	<u>(224,421)</u>	<u>(1,879,513)</u>
Cash Flows (Uses) From Noncapital Financing Activities:				
Cash from (to) Other Funds	(390,123)	(1,630,258)	(223,975)	(2,244,356)
Other Revenues (Expense)	-	691,183	5,395	696,578
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(390,123)</u>	<u>(939,075)</u>	<u>(218,580)</u>	<u>(1,547,778)</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>2,581</u>	<u>28,392</u>	<u>6,974</u>	<u>37,947</u>
Net Increase (Decrease) in Cash	33,888	654,273	(151,079)	537,082
Cash - Beginning	811,052	7,786,260	1,015,014	9,612,326
Cash - Ending	<u>\$ 844,940</u>	<u>\$ 8,440,533</u>	<u>\$ 863,935</u>	<u>\$ 10,149,408</u>
Cash				
Investments	\$ 59,406	\$ 7,900,653	\$ 55,121	\$ 8,015,180
Restricted Cash and Investments	-	-	374,006	374,006
Total	<u>785,534</u>	<u>539,880</u>	<u>434,808</u>	<u>1,760,222</u>
	<u>\$ 844,940</u>	<u>\$ 8,440,533</u>	<u>\$ 863,935</u>	<u>\$ 10,149,408</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	\$ 782,662	\$ 1,716,596	\$ 95,425	\$ 2,594,683
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	463,126	725,733	162,877	1,351,736
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Customer Receivable	(6,145)	(7,977)	(6,706)	(20,828)
Other Receivables	(351)	272,667	(645)	271,671
Inventory	14,607	(19,444)	-	(4,837)
Prepaid Expenses	-	-	-	-
Pension Contribution Timing	-	(17,192)	-	(17,192)
Pension Investment Earnings Timing	-	(399,132)	-	(399,132)
Pension Benefits Timing	-	(22,045)	-	(22,045)
(Increase) Decrease in:				
Accounts Payable	(78,897)	25,151	5,804	(47,942)
Accrued Salaries and Benefits	3,995	17,130	8,114	29,239
Deposits and Escrow	469	(3,644)	-	(3,175)
Other Current Liabilities	-	2,804	-	2,804
Net Pension Liability	-	(132,011)	-	(132,011)
Pension Benefits Timing	-	(516)	-	(516)
Pens External Change in %	-	259,621	-	259,621
Pens Change in Assumptions	-	53,818	-	53,818
Accrued Compensated Absences	(15,466)	5,919	20,079	10,532
Total Adjustments	<u>381,338</u>	<u>760,882</u>	<u>189,523</u>	<u>-</u>
Net Cash Used for Operating Activities	<u>\$ 1,164,000</u>	<u>\$ 2,477,478</u>	<u>\$ 284,948</u>	<u>\$ 3,926,426</u>

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

Govt Activities	
Internal Service Funds	Total 2016
\$ -	\$ 19,535,732
(19,658)	(12,847,572)
-	(2,781,392)
<u>(19,658)</u>	<u>3,906,768</u>
-	8,069
-	21,246
-	195,500
-	(1,055,767)
-	278,850
-	(244,266)
-	(868)
-	(1,082,277)
-	(1,879,513)
(82,073)	(2,326,429)
-	696,578
<u>(82,073)</u>	<u>(1,629,851)</u>
357	38,304
(101,374)	435,708
177,508	9,789,834
<u>\$ 76,134</u>	<u>\$ 10,225,542</u>
\$ -	\$ 8,015,180
76,134	450,140
-	1,760,222
<u>\$ 76,134</u>	<u>\$ 10,225,542</u>
\$ (3,794)	\$ 2,590,889
-	1,351,736
-	(20,828)
-	271,671
-	(4,837)
(10,462)	(10,462)
-	(17,192)
-	(399,132)
-	(22,045)
(5,402)	(53,344)
-	29,239
-	(3,175)
-	2,804
-	(132,011)
-	(516)
-	259,621
-	53,818
-	10,532
<u>(15,864)</u>	<u>1,315,879</u>
<u>\$ (19,658)</u>	<u>\$ 3,906,768</u>

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lamar is a home rule City operating under a charter provided by the authority of the Constitution of the State of Colorado and adopted by its citizens in 1962. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, water and wastewater treatment, sanitation and landfill operation, parks and recreation, cemetery, planning and development, public improvements, historic preservation and general administrative services. The City's basic financial statements include the accounts of all City operations.

This summary of the City of Lamar'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 accounting policies of the City of Lamar conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

In accordance with Governmental Accounting Standards, the City has considered the possibility of inclusion of additional entities in its basic financial statements. The definition of the reporting entity is based primarily on financial accountability. The City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of these criteria, the following component unit is included in the City's reporting entity because of the significance of its operational or financial relationship to the City.

Lamar Building Finance Corporation

The Lamar Building Finance Corporation was organized as a nonprofit corporation in 1992 for the purpose of financing the acquisition, construction and equipping of improvements, repairs, renovation and enlargement to the Lamar Community Building located in Lamar, Colorado. Debt service for the Certificates of Participation (COPs) will be made from future financial statements as a blended component unit. The Corporation is dependent on the City, the governing board was appointed by the City, the City significantly influences the operations of the corporation and the Corporation is accountable to the City for financial matters. Effective with the repayment of the outstanding Certificates of Participation, the Corporation is no longer active.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City Council established the Lamar Redevelopment Authority (the Authority) by resolution on September 14, 2009 as a tax increment financing City. As allowed by statute, the City Council opted to appoint themselves as the governing board of the Authority. The Authority is dependent on property tax revenue, the City significantly influences the operation of the Authority and the Authority is accountable to the City for financial matters. As such, the financial activity of the Authority is treated as a blended component unit included with the City's other governmental funds.

The Lamar Housing Authority is not considered a component unit of the City since it is financially independent, it designates its own management, its operations are not significantly influenced by the City and it is not accountable to the City for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non - fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. The City had no fiduciary funds at December 31, 2016.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In the fund financial statements, the City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund also includes the City's separately budgeted Sales and Use Tax Fund which is considered part of the General Fund for external reporting purposes.

Capital Improvement Fund – The Capital Improvement Fund accounts for construction of capital assets including street improvements, large equipment acquisitions and other capital improvements.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City also reports the following major proprietary funds:

Water Fund – The Water Fund accounts for all activities necessary for the provision of water services to City residents.

Utility Fund – The Utility Fund accounts for all activities necessary for the provision of electrical services for area residents and businesses, including agricultural usage.

The City reports the following internal service funds:

Self Insurance Fund – This fund accounted for certain employee benefits that were partially self-insured by the City. The City ceased self-insuring these benefits in 2014. The General Fund transferred sufficient resources to the fund to close it effective January 1, 2016.

Unemployment Fund – The Unemployment Fund accounts for the unemployment contributions paid by the various funds and pays any unemployment claims. The City has elected to be self-insured for unemployment.

Lamar Building Finance Corporation Fund - The Lamar Building Finance Corporation Fund was established to account for activities relating to Certificate of Participation agreements for real property including buildings, for recreational and cultural purposes. This blended component unit owned facilities that were then leased back to the City. The underlying certificates were repaid during 2015 and the Corporation is now dormant.

Budgets and Budgetary Accounting

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year.

August 25 Assessors must submit abstracts of assessments, reflecting all assessed values of property in the County by class and subclass to the Division of Property Taxation. Deadline for County Assessors to certify to all taxing entities and the Division of Local Government of the new total assessed valuation and the amounts for the various factors needed to compute the statutory property tax revenue limits.

October 15 Statutory deadline for submission of proposed budget to the local governing body. “Notice of Budget” to be published when budget received.

December 15 Statutory deadline for certification of mill levies to the Board of County Commissioners. Local governments levying a property tax must adopt their budgets before certifying the levy to the County. Local governing body shall enact an ordinance or resolution making appropriations for the ensuing fiscal year.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

December 22 Statutory deadline for Board of County Commissioners to levy all taxes and certify the levies.

Budgetary comparisons in this report are presented on the GAAP basis, except for proprietary funds that are on a non-GAAP basis.

Appropriations are adopted by ordinance. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year end.

Supplemental budgets were adopted due to unanticipated revenues and expenditures.

Cash and Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less. The City pools cash from several funds for the purpose of increasing investment returns. Investment returns are allocated to individual funds based on average balances of the funds.

Reserved Cash, Restricted Cash and Investments

Resources set aside for the repayment of bonds and landfill closure and post-closure costs are restricted on the statement of net position. Their use is restricted by applicable bond covenants or bond ordinance agreements.

Property Taxes

Property taxes for the City are levied by the City Council and certified for collection to Prowers County by December 15 of each year. These taxes become due January 1 of the succeeding year and are payable in full by April 30 or in two installments by June 15 in the year of collection. Property taxes levied in the current year for collection in the subsequent year by the General Fund are included in receivables and deferred inflows at year end. These taxes are classified as deferred inflows since they were levied for and are not available to the City until the subsequent year.

Receivables

The City is reporting receivables net of collectability provisions of \$27,718, \$26,100, \$79,548, \$14,722 and \$99,911 in the General, Water & Wastewater, Utility, Sanitation, and Ambulance Funds, respectively. All other amounts are deemed collectable.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventories are valued at cost, using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property and equipment of the City is depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	15-50 years
Equipment	5-30 years
Infrastructure	30-50 years

Compensated Absences

All permanent employees of the City are qualified for sick leave after completion of the probationary period. Sick leave shall accrue to the employee's sick leave account from the date of original hire at the rate of 3.08 hours per pay period, up to a maximum of 90 days or 720 hours. Upon termination, sick leave will be paid based on rate of pay at the time of separation. Payment varies according to length of employment. Employees with 0-5 years employment are paid 8 hours for each 16 hours accrued up to a maximum of 120 hours or 15 days. Employees with 5-10 years of service are paid at a rate of 8 hours for every 12 hours on the books up to a maximum of 180 hours or 22.5 days. Employees with 10 years or more service will be paid at a rate of 8 hours for every 8 hours on the books up to a maximum of 240 hours or 30 days.

All permanent full-time employees and part-time employees working more than 30 hours a week are entitled to vacation leave. The number of vacation days depends on the number of years employed.

Vacation leave may be carried over from year to year up to a maximum of 20 days in addition to the current-year's accrual. Part-time employees' vacation leave is prorated on the basis of the employee's average workweek. Upon termination, unused accrued vacation leave will be paid in full, based upon the rate of pay at the time of separation.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period. The government has two types of items, which arise under the full accrual basis of accounting for both types and modified accrual basis of accounting, in the case of unearned property taxes, that qualify for reporting in these categories. The deferred charge on refunding is reported as a deferred outflow for the governmental activities presentation. The other item, unavailable revenue, is reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and will be recognized as an outflow or inflow of resources in the period that the amounts become recognizable as an expense or available, respectively. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced. In the case of the deferred outflow, the charge will be recognized proportionately as the outstanding principal is repaid.

Net Position/Fund Balance

In the government-wide financial statements and for the proprietary fund statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balances are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the highest formal action, the adoption of an Ordinance, of the government's highest level of decision-making authority, the City Council, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance (Continued)

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

Net Position/Fund Balance Flow Assumptions

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

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments follows:

Cash and Equivalents	\$ 9,470,033
Investments	1,729,454
Restricted Cash and Equivalents	<u>2,481,281</u>
Total Cash and Investments	<u>\$ 13,680,769</u>

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

The City’s cash and investment balances are comprised of the following:

Petty Cash	\$	4,480
Cash Accounts		11,084,246
Investments		2,592,042
Total Cash and Investments	\$	<u>13,680,769</u>

The City’s deposits and cash held are comprised of the following:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 1,000,000	\$ 1,000,000
PDPA Collateralized (Not held in City's name)	13,083,409	12,676,289
Petty Cash	-	4,480
Total Cash Deposits	\$ <u>14,083,409</u>	\$ <u>13,680,769</u>

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The City’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, all of the City’s deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

Investments

Credit Risk

The City invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) Safety, 2) Liquidity, and 3) Yield. The City Clerk is responsible for all of the investments of the City.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

Eligible investments shall conform to state law and may include any of the following:

- Obligations of the United States and certain U.S. government agencies securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The City is subject to Colorado statutes, which define eligible investments for local governments. Eligible investments include bonds and other interest-bearing obligations of or guaranteed by US government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

Interest Rate Risk

The City manages its interest rate risk by setting a maximum maturity date no more than five years from the date of purchase unless otherwise authorized by the City Council.

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank securities. These investments are 7.17%, 9.07% and 6.50%, respectively, of the City's total investments.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City was not exposed to custodial credit risk during the fiscal year.

For the 2016 fiscal year, the amounts classified as investments in the financial statement presentation represented bank balances covered under either FDIC or PDPA as discussed above. The City did not hold any other investments.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CAPITAL ASSETS

The following schedule presents changes in governmental activities capital assets during 2016:

	Restated			Balance
	Balance			
	<u>12/31/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 546,315	\$ 35,142	\$ -	\$ 581,457
Construction in progress	<u>315,894</u>	<u>-</u>	<u>-</u>	<u>315,894</u>
Total capital assets not being depreciated:	<u>862,209</u>	<u>35,142</u>	<u>-</u>	<u>897,351</u>
Capital assets being depreciated:				
Equipment	1,727,789	356,705	48,545	2,035,949
Vehicles	3,692,017	711,923	235,496	4,168,444
Buildings	4,724,384	-	-	4,724,384
Infrastructure	<u>15,553,787</u>	<u>366,189</u>	<u>34,422</u>	<u>15,885,554</u>
Total capital assets being depreciated	<u>25,697,977</u>	<u>1,434,817</u>	<u>318,463</u>	<u>26,814,331</u>
Accumulated Depreciation	<u>(13,589,245)</u>	<u>(776,928)</u>	<u>(276,264)</u>	<u>(14,089,909)</u>
Total capital assets being depreciated, net	<u>12,108,732</u>	<u>657,889</u>	<u>42,199</u>	<u>12,724,422</u>
Governmental activity capital assets, net	<u>\$ 12,970,941</u>	<u>\$ 693,031</u>	<u>\$ 42,199</u>	<u>\$ 13,621,773</u>

Depreciation has been charged to the various functions and programs as follows:

<u>Governmental Activities</u>	
General government	\$ 259,300
Public safety	179,288
Public works	87,634
Library	78,616
Culture and recreation	106,430
Infrastructure	<u>65,660</u>
Total depreciation expense	
Governmental activities	<u>\$ 776,928</u>

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CAPITAL ASSETS (Continued)

The following schedule presents business-type activities capital assets at December 31, 2016:

	Business-Type Activities			
	Restated			
	Balance			Balance
	<u>12/31/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 518,559	\$ -	\$ -	\$ 518,559
Intangibles and water rights	1,591,216	-	-	1,591,216
Construction in progress	<u>201,496</u>	<u>223,709</u>	-	<u>425,205</u>
Total capital assets not being depreciated:	<u>2,311,271</u>	<u>223,709</u>	-	<u>2,534,980</u>
Capital assets being depreciated:				
Equipment	11,084,016	3,952,713	256,949	14,779,780
Buildings and improvements	6,947,077	836,983	-	7,784,060
Distribution systems	<u>32,786,643</u>	<u>883,590</u>	<u>244,008</u>	<u>33,426,225</u>
Total capital assets being depreciated	<u>50,817,736</u>	<u>5,673,286</u>	<u>500,957</u>	<u>55,990,065</u>
Accumulated Depreciation	<u>(28,612,660)</u>	<u>(1,364,081)</u>	<u>(374,666)</u>	<u>(29,602,075)</u>
Total capital assets being depreciated, net	<u>22,205,076</u>	<u>4,309,205</u>	<u>126,291</u>	<u>26,387,990</u>
Business-type activities capital assets, net	<u>\$ 24,516,347</u>	<u>\$ 4,532,914</u>	<u>\$ 126,291</u>	<u>\$ 28,922,970</u>

Depreciation has been charged to the various functions and programs as follows:

Business-Type Activities	
Utility	\$ 725,733
Water	463,126
Sanitation	108,870
Ambulance	<u>54,007</u>
Total depreciation expense	
Business-Type activities	<u>\$ 1,351,736</u>

The City has restated the beginning accumulated depreciation balances for the governmental and business-type activities as further described in Note 14.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM OBLIGATIONS

Changes in governmental activity long-term obligations are as follows:

	Governmental Activities			Balance 12/31/16	Current Portion	Interest Expense
	Balance 12/31/15	Advances	Repayments			
Honeywell (Bank of America) lease	\$ 1,099,960	\$ -	\$ 80,730	\$ 1,019,230	\$ 147,123	\$ 24,554
Equipment capital leases	190,950	704,823	186,622	709,151	110,776	17,792
Accrued compensated absences	426,058	-	19,292	406,766	83,890	-
Total Governmental Activities	\$ 1,716,968	\$ 704,823	\$ 286,644	\$ 2,135,147	\$ 341,789	\$ 42,346

Changes in business-type activity long-term obligations are as follows:

	Business-Type Activities			Balance 12/31/16	Current Portion	Interest Expense
	Restated Balance 12/31/15	Advances	Repayments			
Water refunding bonds	\$ 690,000	-	\$ 185,000	\$ 505,000	\$ 185,000	\$ 20,106
CWRPDA notes payables	5,334,704	195,500	336,964	5,193,240	343,268	52,456
2013 revenue bonds	2,798,437	-	319,763	2,478,674	327,917	64,260
2014 CWCB note payable	602,371	-	14,951	587,420	15,288	13,469
Honeywell acquisition lease	2,936,926	-	201,409	2,735,517	213,651	84,344
PERA net pension liability	3,070,250	-	132,010	2,938,240	-	-
Landfill postclosure liability	413,563	21,245	-	434,808	-	-
Accrued compensated absences	362,999	1,431	-	364,430	68,567	-
Total Business-Type Activities	\$ 16,209,250	\$ 218,176	\$ 1,190,097	\$ 15,237,329	\$ 1,153,691	\$ 234,635

HONEYWELL ACQUISITION (BANK OF AMERICA) LEASE PAYABLE – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

The Honeywell acquisition lease is for energy efficiency improvements in the amount of \$4,456,988 which being repaid through both the General Fund and the Water Fund. The lease began in December of 2012 with the final payment date in June of 2027. The lease bears interest of 2.8% and has a purchase option. Payments are due every quarter of the year and range from \$55,943 to \$120,305 during the lease term. A summary of the future lease payments follows:

Fiscal Year	Honeywell (Bank of America) Capital Lease Business-type activities			Governmental activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 213,651	\$ 78,349	\$ 292,000	\$ 147,123	\$ 22,097	\$ 169,220
2018	221,917	72,083	294,000	150,523	18,697	169,220
2019	240,735	65,265	306,000	154,002	15,218	169,220
2020	251,965	58,035	310,000	157,561	11,659	169,220
2021	263,531	50,469	314,000	161,203	8,017	169,220
2022-2026	1,433,059	128,828	1,561,887	248,818	5,013	253,831
2027	110,659	1,227	111,886	-	-	-
Total	\$ 2,735,517	\$ 454,256	\$ 3,189,773	\$ 1,019,230	\$ 80,701	\$ 1,099,931

ACCRUED COMPENSATED ABSENCES – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

The City maintains a liability to pay its employees for sick and vacation leave based on the vesting schedules previously described in the footnotes. The balances of these accruals are shown in the above tables.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM OBLIGATIONS (Continued)

GOVERNMENTAL ACTIVITIES

CAPITAL LEASE PAYABLE

In 2014, the City entered into a lease purchase agreement for four Police Chevy Tahoes that will be paid off in 2017. The lease requires annual base rentals of \$34,180 consisting of both principal and interest at 2.50% on May 22nd of each year starting in 2014. Payments are made through the General Fund. Assets with a remaining basis of \$52,675 were capitalized as part of this lease.

In 2014, the City entered into a lease purchase agreement for a 2014 Broom Badger Sweeper. The lease requires annual payments of \$70,581 consisting of both principal and interest at 3.49% on June 1st each year after an initial payment towards principal of \$50,000 on June 1, 2014. Payments are made through the General Fund and the lease was paid off in 2016.

In 2015, the City entered into a lease purchase agreement for two 2016 Police Ford Interceptors. The lease requires annual base rentals of \$12,219 consisting of both principal and interest at 2.79% on August 10th of each year starting in 2016. Assets with a remaining basis of \$41,177 were capitalized as part of this lease.

In 2016, the City entered into a lease purchase agreement for a 2014 Pierce Aerial fire truck. The lease requires annual base rentals of \$74,728 consisting of both principal and interest at 3.49% on May 5th of each year starting in 2016. Assets with a remaining basis of \$614,660 were capitalized as part of this lease.

In 2016, the City entered into a lease purchase agreement for three 2016 Police pickup trucks. The lease requires annual base rentals of \$13,441 consisting of both principal and interest at 2.99% on May 27th of each year starting in 2017. Payments are made through the General Fund. Assets with a remaining basis of \$53,209 were capitalized as part of this lease.

A summary of the capital lease payments follows:

<u>Fiscal Year</u>	<u>Police Chevy Tahoes Payment</u>	<u>Police Ford Explorer Payment</u>	<u>Aerial Fire Truck Payment</u>	<u>Dodge Pickups Payment</u>	<u>Totals</u>
2017	\$ 34,180	\$ 12,219	\$ 74,728	\$ 13,441	\$ 134,568
2018	-	12,219	74,728	13,441	100,388
2019	-	12,219	74,728	13,441	100,388
2020	-	12,219	74,728	13,441	100,388
2021	-	-	74,728	13,443	88,171
2022-2025	-	-	298,718	-	298,718
Total Future Payments	34,180	48,876	672,358	67,207	822,621
Less: Interest Portion	(834)	(3,228)	(103,775)	(5,633)	(113,470)
Present Value of Payments	\$ 33,346	\$ 45,648	\$ 568,583	\$ 61,574	\$ 709,151

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM OBLIGATIONS (Continued)

BUSINESS-TYPE ACTIVITIES

WATER REFUNDING BONDS

The City fully refunded 1999 Water Revenue Bonds on May 26, 2009 by issuing Water Activity Revenue Refunding Bonds, Series 2009, in the amount of \$1,670,000. The bonds are secured by a reserve account in the amount of \$167,000. Bond principal payments are due annually on June 15, and interest is due semi-annually on June 15 and December 15. The bonds bear interest rates range from 2.00% to 3.75% with bond principal payments ranging from \$115,000 to \$180,000.

Scheduled payments on the bonds are due as follows:

Fiscal Year	Water Refunding Bonds		
	Principal	Interest	Total
2017	\$ 185,000	\$ 14,556	\$ 199,556
2018	180,000	8,400	188,400
2019	140,000	2,625	142,625
Total	<u>\$ 505,000</u>	<u>\$ 25,581</u>	<u>\$ 530,581</u>

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOANS

On May 27, 2010, the City received loan funds totaling \$2,000,000 from the Colorado Water Resources and Power Development Authority (CWRPDA) Water Pollution Control Revolving Fund program for upgrades to the water system. The loan bears interest at 2% and requires semi-annual principal and interest payments through May 1, 2031. Payments are made through the Water Fund.

On December 17, 2009, the City was awarded loan funds totaling \$5,020,000 from CWRPDA Drinking Water Revolving Fund to finance the relocation of the existing chlorine building, storage tank improvements, and installation resource project. This loan matures in 2031 and is split with \$3,952,375 being noninterest bearing and \$1,067,625 bearing interest at 2.5%. The loan requires semi-annual principal and interest payments through June 15, 2030. Payments are made through the Water Fund.

On August 26, 2016, the City received loan funds totaling \$195,500 from the CWRPDA Drinking Water Revolving Fund for the replacement of the distribution and service pipelines. The loan is noninterest bearing and requires semi-annual principal payments through May 1, 2047. Payments are made through the Water Fund.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM OBLIGATIONS (Continued)

BUSINESS-TYPE ACTIVITIES (Continued)

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOANS (Continued)

A summary of payments follows for the CWRPDA Loans:

Fiscal Year	CWRPDA Loans		
	Principal	Interest	Total
2017	\$ 343,268	\$ 49,764	\$ 393,032
2018	349,640	46,650	396,290
2019	352,822	43,468	396,290
2020	356,074	40,216	396,290
2021	359,399	36,891	396,290
2022-2026	1,849,502	131,948	1,981,450
2027-2031	1,481,522	38,355	1,519,877
2032-2036	32,585	-	32,585
2037-2041	32,585	-	32,585
2042-2046	32,585	-	32,585
2047	3,258	-	3,258
Total	<u>\$ 5,193,240</u>	<u>\$ 387,292</u>	<u>\$ 5,580,532</u>

ELECTRIC REVENUE BONDS

In 2013, the City fully refunded 2004 Electric Enterprise Revenue Bonds by issuing Revenue Bonds in the amount of \$3,490,000. The 2013 bonds bears interest at 2.55%. Interest is payable semi-annually on January 1st and July 1st of each year. Principal is paid over a period of ten years and is payable annually on January 1st of each year.

Principal and interest is payable on the outstanding bonds is as follows:

Fiscal Year	Electric Refunding Bonds		
	Principal	Interest	Total
2017	\$ 327,917	\$ 59,880	\$ 387,797
2018	336,279	51,295	387,574
2019	344,854	42,491	387,345
2020	353,648	33,541	387,189
2021	362,666	24,203	386,869
2022-2023	753,310	19,679	772,989
Total	<u>\$ 2,478,674</u>	<u>\$ 231,089</u>	<u>\$ 2,709,763</u>

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM OBLIGATIONS (Continued)

BUSINESS-TYPE ACTIVITIES (Continued)

COLORADO WATER CONSERVATION BOARD LOAN

On November 10, 2014, the City received loan funds totaling \$616,994 from the Colorado Water Conservation Board (CWCB) for upgrades to the water transmission lines. The loan bears interest at 2.25% and matures in 2044.

Principal and interest is payable on the outstanding loans is as follows:

Fiscal Year	CWRPDA Loans		
	Principal	Interest	Total
2017	\$ 343,268	\$ 49,764	\$ 393,032
2018	349,640	46,650	396,290
2019	352,822	43,468	396,290
2020	356,074	40,216	396,290
2021	359,399	36,891	396,290
2022-2026	1,849,502	131,948	1,981,450
2027-2031	1,481,522	38,355	1,519,877
2032-2036	32,585	-	32,585
2037-2041	32,585	-	32,585
2042-2046	32,585	-	32,585
2047	3,258	-	3,258
Total	\$ 5,193,240	\$ 387,292	\$ 5,580,532

NOTE 5: INTERFUND TRANSACTIONS

The City has recorded the following routine transfers:

	Transfers In	Transfers Out
General Fund	\$ 2,064,857	\$ (256,778)
Capital Improvement Fund	25,082	-
Water and Wastewater Fund	-	(250,000)
Utility Fund	-	(1,638,460)
Nonmajor Govt Funds	216,249	(1,478)
Nonmajor Enterprise Funds	-	(200,000)
Internal Service Funds	40,528	-
Totals	\$ 2,346,716	\$ (2,346,716)

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: INTERFUND TRANSACTIONS (Continued)

The City has recorded the following balances owed between funds:

	Net Due to (from) Other Funds
General Fund	\$ 198,432
Capital Improvement Fund	(61,760)
Utility Fund	(17,700)
Nonmajor Govt Funds	18,648
Nonmajor Enterprise Funds	(137,620)
	<u>\$ -</u>

NOTE 6: EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT – PERA

In 1991, the City’s employees, except for Utility Fund employees, voted to terminate their participation in PERA. Their respective share of PERA was withdrawn and rolled over into a defined contribution plan. All of the City’s full-time Utility Fund employees participate in PERA.

Summary of Significant Accounting Policies

Pensions. The City’s Utility Fund, via the Lamar Utilities Board (“LUB”), participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. 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. Eligible employees of the LUB are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan (Continued)

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the LUB are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

January 1st through December 31st	2015¹	2014¹	2013
Employer contribution rate	10.00%	10.00%	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount apportioned to the LGDTF	8.98%	8.98%	8.98%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%	1.50%
Total employer contribution rate to the LGDTF	12.68%	12.68%	12.68%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the LUB is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$192,079 for the year ended December 31, 2015 and \$209,271 for the year ended December 31, 2016.

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

At December 31, 2016, the LUB reported a liability of \$2,938,240 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The LUB proportion of the net pension liability was based on the LUB contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

At December 31, 2015, the LUB proportion was .26673%, which was an increase of .10724% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the LUB recognized pension expense of \$330,750. At December 31, 2016, the LUB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 22,045	\$ (103)
Changes of assumptions or other inputs	\$ -	\$ (53,818)
Net difference between projected and actual earnings on pension plan investments	\$ 565,634	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (381,825)
Contributions subsequent to the measurement date	\$ 209,271	\$ -
Total	\$ 796,950	\$ (435,746)

\$209,271 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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 LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increase, including wage inflation	3.90-10.85%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1//07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

The LGDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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 then adding expected inflation.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	26.76%	5.00%
U.S Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

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 employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current 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. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

Sensitivity of City proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	\$ (4,504,622)	\$ (2,938,240)	\$ (1,639,081)

Pension plan fiduciary net position. Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

DEFINED CONTRIBUTION PLANS – MONEY PURCHASE PENSION PLAN

The City reinstated and administers a money purchase pension plan, as of June 1, 2010. All City employees except Utility employees, firemen and policemen, are covered under this defined contribution plan if they meet eligibility requirements specified in the plan document. Participants are required to contribute 8% of their eligible wages and can voluntarily contribute an additional 6% of compensation. The City is required to contribute 9% of allowable compensation for retirement benefits plus an additional 0.9% of allowable compensation for other fringe benefits. City contributions in 2016 were \$128,738 and employee contributions were approximately \$114,434.

The firemen and policemen have each established money purchase defined contribution pension plans (FPMP for new hires). FPMP may be amended by action of the Retirement Board with the approval of at least 65% of actively employed eligible employees and former employees entitled to FPMP benefits. The plans are maintained through Fidelity Advisor Funds and American Century Funds. The participants are required to contribute 8% of their eligible salaries, and the City contributes 9%. For 2016, the City contributed \$79,366, and participants contributed \$70,550.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

DEFERRED COMPENSATION PLAN – 457 PLAN

In 1997, the City offered its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is available through ICMA Retirement Corporation.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

VOLUNTEER FIREFIGHTERS' PENSION PLAN

Plan Description

On July 1, 2006, the City's Volunteer Plan affiliated with FPPA under CRS 31-30-1005(l)(k), as amended, at which time all plan assets were transferred to FPPA for financial administration. Under FPPA administration, the City's Volunteer Plan is an "affiliated local plan" that is part of an agent multiple-employer Public Employee Retirement System (PERS). Assets of the Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, an agent multiple-employer defined benefit pension Plan administered by FPPA.

Under the FPPA affiliation agreement, the City is responsible for the collection and transmission of all contributions to the Plan. FPPA is responsible for the physical safekeeping and investing of such contributions, as well as for making the appropriate and legally authorized payments of pension benefits and other expenses of the Plan.

All City volunteer firefighters participate in this non-contributing local defined benefit pension plan administered by FPPA. For the year ended December 31, 2016, the City acted as the trustee for the plan and has authority to amend benefit provisions.

The Plan does not issue separate financial statements. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111-2721, or by calling FPPA at (303) 770-3772 in the Denver metro area and 1-800-332-FPPA (3772) from outside the metro area.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

VOLUNTEER FIREFIGHTERS' PENSION PLAN (Continued)

Description of Benefits

The Plan provides retirement benefits for Members and beneficiaries according to Plan provisions as enacted and governed by the Firefighters Pension Board. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the Plan. A participant becomes fully vested after 10 years of active service and reaching age 50. The plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Benefits provided are as follows:

Age and service retirement after age 50 with 20 year of credited service (monthly)	\$250
Disability retirement benefit	
Temporary	-
Permanent	-
Surviving spouse death benefit	
Following death before retirement eligible, death in the line of duty	-
Following death after normal retirement	\$125
Following death after vested retirement with 10 to 20 years of service, amount per year of service per minimum vesting years	-
Funeral benefit, lump sum	\$100

Contributions

The City makes contributions in accordance with the Plan per provisions in the Plan document and Colorado statutes based on Trustees established benefits and funding requirements based on an actuarial study. The City contributes to the Volunteer Fire Department Pension Fund at a rate determined in the following manner: at least every three (3) years, the Volunteer Fire Department Pension Fund shall have an actuarial study prepared to determine the funds required. The required funds will be paid annually from general revenues of the City into the Volunteer Fire Department Pension Fund. The Volunteer Firefighter's Pension Plan receives contributions from the City in an amount not to exceed one half mill of property tax revenue.

As established by the legislature, the State of Colorado contributes up to ninety percent of the City's contribution. The contributions are not actuarially determined.

The financial statements of the volunteer Plan are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The investments are presented at fair value except for short-term investments that are recorded at cost, which approximates fair value.

Administrative costs of the Plan are paid from the pension fund (CRS 31-30.5-204(3)). There are no investments in, loans to, or leases with parties related to the Plan.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

VOLUNTEER FIREFIGHTERS' PENSION PLAN (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 a net pension liability of \$590,787. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2016, the City recognized pension expense of \$36,417. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 11,921	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 39,123	\$ -
Contributions subsequent to the measurement date	\$ 26,980	\$ -

\$26,980 reported as deferred outflows of resources related to pensions resulting from City and State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Amortization Amount
2017	\$ (12,014)
2018	\$ (12,014)
2019	\$ (12,014)
2020	\$ (10,877)
2021	\$ (1,949)
Thereafter	\$ (2,176)
Total	\$ (51,044)

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

VOLUNTEER FIREFIGHTERS' PENSION PLAN (Continued)

Actuarial Assumptions

The January 1, 2015 actuarial valuation was used to determine the Actuarially Determined Contribution for the fiscal year ending December 31, 2015. The valuation used the following actuarial assumption and other inputs:

Actuarial method	Entry Age Normal
Amortization method ⁽¹⁾	Level Dollar, Open
Amortization period ⁽¹⁾	20 Years
Asset valuation method	5-Year smoothed fair value
Long-term investment rate of return, net of pension plan investment expenses, including price inflation *	7.50%
Projected salary increase *	N/A
Cost of Living Adjustments (COLA)	0.00%
* Includes inflation at	3.00%

⁽¹⁾ - Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 Fund's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0%*
Total	100.00%	

* While expected inflation exceeds the expected rate or return for cash, a 0.0% real rate of return is utilized.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

VOLUNTEER FIREFIGHTERS' PENSION PLAN (Continued)

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	\$ 561,176	\$ 590,787	\$ 614,838

Pension Plan Fiduciary Net Position

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

Changes in net pension liability for the City's agent multiple-employer plan is listed below:

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

VOLUNTEER FIREFIGHTERS' PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Schedule of Changes in City's Net Pension Liability and Related Ratios

<u>Total Pension Liability</u>	<u>2016</u>
Service cost	\$ 5,643
Interest	15,196
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(9,000)</u>
Net changes in total pension liability	11,839
Total Pension Liability - beginning	<u>204,265</u>
Total Pension Liability - ending (a)	<u>\$ 216,104</u>
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	\$ 14,200
Contributions - employee	-
Net investment Income	14,222
Benefit payments, including refunds of employee contributions	(9,000)
Administrative expense	(2,364)
Other	<u>12,780</u>
Net change in plan fiduciary net position	29,838
Plan fiduciary net position - beginning	<u>777,053</u>
Plan fiduciary net position - ending(b)	<u>\$ 806,891</u>
City's net pension liability - ending (a)-(b)	<u>\$ (590,787)</u>
Plan fiduciary net position as a percentage of the total pension liability	373.38%
Covered employee payroll	N/A
Net pension liability/(asset) as a percentage of covered employee payroll	N/A

There were no changes in the benefit terms, assumptions or other inputs during the fiscal year. The board adopted assumption changes that will be utilized commencing with the January 1, 2017 valuations primarily related to the rate of inflation and the use of revised mortality tables.

Membership

As of the December 31, 2015 measurement date, pension plan membership consisted of the following:

Retirees and Beneficiaries	4
Inactive, Nonretired Members	-
Active Members	<u>31</u>
Total	<u>35</u>

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

OLD HIRE FIREFIGHTERS' PENSION PLAN

Plan Description

The Old Hire Plan is an agent multiple-employer defined benefit pension plan established by resolution of the City. All assets are held and invested by FPPA. Firemen hired prior to April 8, 1978 who elected not to change to the New Hire Statewide Defined Benefit Plan are covered by this plan. Any changes to this plan are referred to the membership by the Pension Trustee Board and voted upon. The plan is closed and has no current employees.

Description of Benefits

The Plan provides retirement benefits for Members and beneficiaries according to Plan provisions as enacted and governed by the City Council. Any Member who elects to retire on or after his normal retirement date (20 years of service and 55 years of age) shall be eligible for a monthly pension equal to one-half of his average monthly salary received one year before his retirement.

The plan also provides for cost of living adjustments, surviving spouse benefits and post-retirement death benefits. FPPA issues independent annual reports that may be obtained by calling FPPA at (303) 770-3772 in the Denver metro area and 1-800-332-FPPA (3772) from outside the metro area.

Contributions

The City funds the Plan per provisions in the Plan document and Colorado statutes. The City shall contribute amounts required to fund the benefits provided by the Plan on a sound actuarial basis. The City contributes to the Old Hire Pension Fund at a rate determined in the following manner: at least every three (3) years, the Old Hire Pension Fund shall have an actuarial study prepared to determine the funds required. The required funds will be paid annually from general revenues of the City into the Old Hire Pension Fund.

The Plan is administered by the City Council.

The financial statements of the Old Hire Plan are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The investments are presented at fair value except for short-term investments that are recorded at cost, which approximates fair value.

Administrative costs of the Plan are paid from the pension fund (CRS 31-30.5-204(3)). There are no investments in, loans to, or leases with parties related to the Plan.

There were no contributions required for the current fiscal year.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

OLD HIRE FIREFIGHTERS' PENSION PLAN (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 a net pension asset of \$587,503. 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.

For the year ended December 31, 2016, the City recognized pension expense of \$27,985. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings on pension plan investments	\$ 42,709	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Amortization Amount
2017	\$ (10,941)
2018	\$ (10,941)
2019	\$ (10,941)
2020	\$ (9,886)
Total	\$ (42,709)

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

OLD HIRE FIREFIGHTERS' PENSION PLAN (Continued)

Actuarial Assumptions

The January 1, 2016 actuarial valuation was used to determine the Actuarially Determined Contribution for the fiscal year ending December 31, 2015. The valuation used the following actuarial assumption and other inputs:

Actuarial method	Entry Age Normal
Amortization method ⁽¹⁾	Level Dollar, Open
Amortization period ⁽¹⁾	20 Years
Asset valuation method	5-Year smoothed fair value
Long-term investment rate of return, net of pension plan investment expenses, including price inflation *	7.50%
Projected salary increase *	N/A
Cost of Living Adjustments (COLA)	0.00%
* Includes inflation at	3.00%

⁽¹⁾ - Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

OLD HIRE FIREFIGHTERS' PENSION PLAN (Continued)

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	\$ 559,541	\$ 587,503	\$ 611,545

Pension Plan Fiduciary Net Position

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

Changes in net pension (asset) liability for the City's agent multiple-employer plan is listed below:

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: EMPLOYEE BENEFIT PLANS (Continued)

OLD HIRE FIREFIGHTERS' PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position (Continued)

Schedule of Changes in City's Net Pension Liability and Related Ratios

<u>Total Pension Liability</u>	<u>2016</u>
Service cost	\$ -
Interest	20,497
Changes of benefit terms	-
Differences between expected and actual experience	(13,105)
Changes of assumptions	17,340
Benefit payments	<u>(21,444)</u>
Net changes in total pension liability	3,288
Total Pension Liability - beginning	<u>283,824</u>
Total Pension Liability - ending (a)	<u>\$ 287,112</u>
 <u>Plan Fiduciary Net Position</u>	
Contributions - employer	\$ -
Contributions - employee	-
Net investment Income	15,865
Benefit payments, including refunds of employee contributions	(21,444)
Administrative expense	(1,629)
Other	<u>-</u>
Net change in plan fiduciary net position	(7,208)
Plan fiduciary net position - beginning	<u>881,823</u>
Plan fiduciary net position - ending(b)	<u>\$ 874,615</u>
 City's net pension liability - ending (a)-(b)	 <u>\$ (587,503)</u>

There were no changes in the benefit terms, assumptions or other inputs during the fiscal year. The Board has adopted new assumptions to related to the rate of inflation and the adoption of revised mortality tables that will be included in the actuarially determined contribution for the year ending December 31, 2017

Membership

As of the December 31, 2016 measurement date, pension plan membership consisted of one retiree beneficiary.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description

The City's Utility Fund (LUB) contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Utility Fund is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016 and the preceding two fiscal years, the District contributions to the HCTF were \$21,346, \$19,592, and \$24,276, respectively, equal to their required contributions for each year.

NOTE 8: 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.

For risks related to property and liability and workers' compensation, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, section 18(2). The purposes of CIRSA are to provide members defined liability and property coverage 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.

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

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: RISK MANAGEMENT (Continued)

All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the City does not approve budgets nor does it have ability to significantly affect the operations of the unit. The City has not significantly changed its insurance coverage over the past three years, nor have settlements exceeded coverage during the same period.

The City purchases commercial insurance coverage for all items not covered by CIRSA. Settled claims for these risks have not exceeded insurance coverage the past three years.

NOTE 9: RELATED PARTIES

The City entered into a contract in 1979 with five other municipalities to create a separate governmental entity known as the Arkansas River Power Authority (ARPA) under provisions of CRS 1973, § 29-1-204 as amended, "to effect the development of electric energy resources and the production and transmission of electric energy in whole or in part for the benefit of the inhabitants of the Municipalities." Under the provisions of this agreement and the subsequent Power Purchase Agreement and various amendments to the Power Purchase Agreement, the member municipalities, all of which had the capacity to generate electric power, agreed to allow ARPA to coordinate and manager the "economic dispatching of the power and energy supplied by the system of the Authority (ARPA) and supplied by the electric systems of the individual Municipalities and other entities to which such systems are interconnected."

Over succeeding years, the Parties to the agreement(s) have changed. Some original member municipalities have left ARPA and others have joined, and as indicated above, the terms of the Power Purchase Agreement(s) between the member municipalities have also changed to accommodate changes in the regulatory environment, economic conditions and the condition of the electric generating assets of the member municipalities, to the point where all of the member municipalities now purchase all of their electric energy from ARPA, including the City's electric utility enterprise, LUB.

In 2004 the City and LUB entered into a series of separate agreements with ARPA to jointly construct and operate a new coal-fired electricity generating plant on the on the site of the City's gas-fired electric generating plant. The project became known as the Lamar Re-powering Project (LRP). Under terms of the agreements, ARPA would issue revenue bonds to finance LRP and manage the construction, the City and LUB would dedicate certain of the City's existing plant assets to LRP, and LUB would serve as Operating Agent of LRP after construction.

In 2013, after numerous construction problems, cost overruns and, finally, the failure of the plant to pass regulatory emissions tests and achieve permitted operating status, ARPA has concluded that LRP is a failure and has commenced the process of deconstruction the plant. That decision has had a negative impact on the revenues and employment of LUB and is expected to further negatively impact LUB's employment and revenues in subsequent periods.

During 2016, purchases of power by the City from ARPA were \$9,391,153.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 10: LANDFILL CLOSURE AND POSTCLOSURE LIABILITY

State and federal laws and regulations require the City to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The estimated cost to perform all closure and post closure care was \$1,1324,796, based on a cost estimate completed in April, 2012. The costs were comprised of \$750,195 of closure costs and \$501,723 of post-closure costs. The City currently filled an estimated 431,442 cubic meters on overall capacity of 1,314,539 cubic meters, for an estimated used amount of slightly less than 33%. Based on this usage, the City has recorded an inflation adjusted long-term liability of \$434,808. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care or to exhibit financial assurance that it is able to finance these costs without the contributions to a trust. The City has demonstrated financial assurance and has restricted \$434,808 of its available cash balance to meet this liability and as a result has not made any contributions to a trust.

NOTE 11: COMMITMENTS AND CONTINGENCIES

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. In November 1995, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1994 and subsequent years, notwithstanding the provisions of the Amendment.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$282,000 was recorded in the General Fund.

NOTE 12: NET POSITION DEFICIT

The City has an unrestricted net position deficit in the Ambulance Fund. This deficit is anticipated to be recovered through ongoing operations or internal fund transfers as needed.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 13: BUDGET VIOLATIONS

The City’s expenditures exceeded appropriations in the Fairmont Investment, Sanitation and Ambulance funds, which may be a violation of Colorado statutes.

NOTE 14: PRIOR PERIOD RESTATEMENT

The City has restated the beginning equity in various funds and activities as summarized and described below:

Description	Governmental Activities	Business-type Activities	General Fund	Library Fund	Lamar Muni. Facility Corp Fund	Water & Wastewater Fund	Utility Fund	Sanitation Fund	Ambulance Fund
Unrecorded Pension Forfeiture	\$ 52,704	\$ -	\$ 52,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrecorded Receivables	264,565	479,888	264,565	-	-	65,704	326,465	87,719	-
Overstated Receivables	-	(46,820)	-	-	-	-	-	-	(46,820)
Library Cash held by LMFC	-	-	-	86,961	(86,961)	-	-	-	-
Additional Landfill Postclosure Liab.	-	(27,787)	-	-	-	-	-	(27,787)	-
LMFC COP Debt Costs	(28,130)	-	-	-	(28,130)	-	-	-	-
Minor Restatements	601	-	1,015	-	(413)	-	-	-	-
LMFC Capital Assets to Govt Act	-	-	-	-	(4,414,596)	-	-	-	-
LMFC Capital Lease to Govt Act	-	-	-	-	1,101,550	-	-	-	-
Prior Depreciation Adjustments	(183,923)	(595,806)	-	-	-	(527,057)	114,526	(177,098)	(6,177)
Unrecorded Accd Int Payable	(5,669)	-	-	-	-	-	-	-	-
Net Restatements	100,148	(190,525)	318,284	86,961	(3,428,550)	(461,353)	440,991	(117,166)	(52,997)
Ending Equity - Prior Year Audit	16,997,449	24,761,696	2,525,410	9,852	3,428,550	6,719,202	16,199,121	1,548,041	295,332
Beginning Equity - Restated	\$ 17,097,597	\$ 24,571,171	\$ 2,843,694	\$ 96,813	\$ -	\$ 6,257,849	\$ 16,640,112	\$ 1,430,875	\$ 242,335

Governmental Activities

In addition to the fund level restatements noted below, the City has restated the beginning net position in the governmental activities for certain activity level items. It was determined that certain capital assets had been incorrectly added to the City’s capital asset system in prior years resulting in incorrect life to date depreciation amounts of \$183,923 through December 31, 2015. In addition, the City failed to record accrued interest payable on outstanding long-term obligations of \$5,669. The overall restatement in the Governmental Activities was an increase in net position of \$100,148 as of December 31, 2015.

Business-type Activities

Business type activities net position has been restated due to fund level restatements as described below. The net restatement of the Business-type Activities was a \$190,525 decrease in net position as of December 31, 2015.

General Fund

The City has increased the beginning fund balance in the General Fund by \$52,704 representing the amount of pension forfeiture funds available for the City’s use that had not been booked as of December 31, 2015. The beginning equity was also increased by \$15,787 as the result of recording cigarette and franchise tax receivables owed but not recorded as of December 31, 2015. The City has increased the opening net position in the General Fund (internally in the Sales and Use Tax Fund) by \$248,778 representing sales and use taxes collected by vendors prior to December 31, 2015 that were remitted subsequent to the end of the fiscal year. The net restatement in the General Fund including other minor items was an increase of the December 31, 2015 fund balance of \$318,284.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 14: PRIOR PERIOD RESTATEMENT (Continued)

Library Fund

The City has increased the opening net position in the Library Fund by \$86,891 representing cash reported in the Lamar Building Finance Corporation Fund that should have been returned upon the repayment of the underlying debt as further described below.

Utility Fund

The City has increased the opening net position in the Utility Fund by \$326,465 representing utility services that had been rendered but not billed as of December 31, 2015. In addition, it was determined that certain capital assets had been incorrectly added to the City's capital asset system in prior years resulting in incorrect life to date depreciation amounts of \$114,526 through December 31, 2015. The net restatement in the Utility Fund was a \$440,991 increase in net position.

Water and Wastewater Fund

The City has increased the opening net position in the Water and Wastewater Fund by \$65,704 representing utility services that had been rendered but not billed as of December 31, 2015. In addition, it was determined that certain capital assets had been incorrectly added to the City's capital asset system in prior years resulting in incorrect life to date depreciation amounts of \$527,057 through December 31, 2015. The net restatement in the Water and Wastewater Fund was a \$461,353 decrease in net position.

Sanitation Fund

The City has increased the opening net position in the Sanitation Fund by \$87,719 representing utility services that had been rendered but not billed as of December 31, 2015. In addition, the opening net position was reduced by \$27,787 due to a restatement of the estimated landfill closure and post-closure costs liability as of December 31, 2015. Finally, it was determined that certain capital assets had been incorrectly added to the City's capital asset system in prior years resulting in incorrect life to date depreciation amounts of \$177,098 through December 31, 2015. The net restatement in the Sanitation Fund was a \$117,166 decrease in net position.

Ambulance Fund

It was determined that the City overstated the customer receivable balances in the Ambulance Fund by \$46,820 at December 31, 2015, resulting in an overstatement of ending net position by the same amount. In addition, it was determined that certain capital assets had been incorrectly added to the City's capital asset system in prior years resulting in incorrect life to date depreciation amounts of \$6,177 through December 31, 2015. The net restatement in the Ambulance Fund was a \$52,997 decrease in net position.

CITY OF LAMAR, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 14: PRIOR PERIOD RESTATEMENT (Continued)

Lamar Building Finance Corporation Fund Restatements

The Lamar Building Finance Corporation (“LBFC”) was established to account for the issuance of Certificates of Participation used to construct City facilities. The LBFC issued the certificates and owned the facilities which were then leased to the City at rental amounts equal to the amount of the certificate debt service. The certificates were repaid during 2015. Upon repayment, the facilities would have been transferred from the LBFC to the City’s governmental capital assets with all LMFC activities ceasing. The City did not record the LBFC transfer of the facilities effective with the repayment. The City has reduced the beginning fund balance in the LBFC Fund by \$2,895,068, representing the remaining value of the constructed library and related equipment as of December 31, 2015. In addition, the City reduced the beginning fund balance in the LBFC Fund for unamortized issuance costs and deferred charges related to the certificates that should have been fully amortized as of date of repayment totaling \$28,130.

Prior to the repayment of the certificates, the City also began utilizing the LBFC Fund to account for a capital lease related to energy efficiency improvements. As this lease was between the lender and the City and not an obligation of the LBFC, the improvement capital assets and lease obligation should have been reported in the City’s governmental activities and not as part of the LBFC Fund. The City has reduced the beginning fund balance in the LBFC Fund by \$417,977, comprised of \$1,519,528 of lease related improvements net of outstanding capital lease balances and accrued interest of \$1,101,551.

Finally, as the City had remitted more rental payments than necessary to repay the certificates of participation, the remaining \$86,891 was returned to the Library Fund, reducing the beginning equity in the LBFC Fund by the same amount. The restatements in the LBFC Fund, including other minor items, totaled \$(3,428,550), representing a complete transfer of all remaining equity in the fund as of December 31, 2015 as the underlying financial activities had concluded.

REQUIRED SUPPLEMENTARY INFORMATION
(Pension Schedules Unaudited)

CITY OF LAMAR

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
City's proportion of the net pension asset (liability)	0.266729%	0.342544%	0.369087%
City's proportionate share of the net pension asset (liability)	\$ (2,938,240)	\$ (3,070,251)	\$ (3,037,293)
City's covered-employee payroll	\$ 1,514,816	\$ 1,876,987	\$ 1,969,113
City's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	193.97%	163.57%	154.25%
Plan fiduciary net position as a percentage of the total pension liability	76.87%	80.72%	81.00%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

SCHEDULE OF CITY CONTRIBUTIONS

PERA Pension Plan

Last 10 Fiscal Years⁽¹⁾

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Contractually required contributions	\$ 192,079	\$ 238,002	\$ 249,683
Actual contributions	<u>(192,079)</u>	<u>(238,002)</u>	<u>(249,683)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,514,816	\$ 1,876,987	\$ 1,969,113
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
 FPPA Lamar Vounteer Fire Department Pension Fund
 Last 10 Fiscal Years(1)**

	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Total Pension Liability</u>		
Service cost	\$ 5,643	\$ 7,265
Interest	15,196	13,208
Changes of benefit terms	-	-
Differences between expected and actual experience	-	15,819
Changes of assumptions	-	-
Benefit payments	<u>(9,000)</u>	<u>(8,984)</u>
Net changes in total pension liability	11,839	27,308
Total Pension Liability - beginning	<u>204,265</u>	<u>176,957</u>
Total Pension Liability - ending (a)	<u>\$ 216,104</u>	<u>\$ 204,265</u>
 <u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ 14,200	\$ 14,200
Contributions - employee	-	-
Net investment Income	14,222	47,876
Benefit payments,including refunds of employee contributions	(9,000)	(8,984)
Administrative expense	(2,364)	(1,498)
State of Colorado discretionary payment	<u>12,780</u>	<u>25,560</u>
Net change in plan fiduciary net position	29,838	77,154
Plan fiduciary net position - beginning	<u>777,053</u>	<u>699,899</u>
Plan fiduciary net position - ending(b)	<u>\$ 806,891</u>	<u>\$ 777,053</u>
 City's net pension liability/(asset) - ending (a)-(b)	 <u>\$ (590,787)</u>	 <u>\$ (572,788)</u>

Note: There were no factors that significantly affected trends in the amounts reported.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
FPPA Lamar Vounteer Fire Department Pension Fund
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
City's proportion of the net pension asset (liability)	100%	100%	100%
City's proportionate share of the net pension asset (liability)	\$ 590,787	\$ 572,788	\$ 522,942
City's covered-employee payroll	N/A	N/A	N/A
City's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	373.38%	380.41%	395.52%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

**SCHEDULE OF CITY CONTRIBUTIONS
FPPA Lamar Vounteer Fire Department Pension Fund
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/16</u>	<u>12/31/15</u>
Contractually required contributions	\$ -	\$ -
Actual contributions	<u>26,980</u>	<u>39,760</u>
Contribution deficiency (excess)	<u>\$ 26,980</u>	<u>\$ 39,760</u>
City's covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
 FPPA Lamar Old Hire Fire Pension Fund
 Last 10 Fiscal Years(1)**

	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Total Pension Liability</u>		
Service cost	\$ -	\$ -
Interest	20,497	20,582
Changes of benefit terms	-	-
Differences between expected and actual experience	(13,105)	-
Changes of assumptions	17,340	-
Benefit payments	<u>(21,444)</u>	<u>(21,960)</u>
Net changes in total pension liability	3,288	(1,378)
Total Pension Liability - beginning	<u>283,824</u>	<u>285,202</u>
Total Pension Liability - ending (a)	<u>\$ 287,112</u>	<u>\$ 283,824</u>
 <u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ -	\$ -
Contributions - employee	-	-
Net investment Income	15,865	57,553
Benefit payments,including refunds of employee contributions	(21,444)	(21,960)
Administrative expense	(1,629)	(4,703)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(7,208)	30,890
Plan fiduciary net position - beginning	<u>881,823</u>	<u>850,933</u>
Plan fiduciary net position - ending(b)	<u>\$ 874,615</u>	<u>\$ 881,823</u>
 City's net pension liability/(asset) - ending (a)-(b)	 <u>\$ (587,503)</u>	 <u>\$ (597,999)</u>

Note: There were no factors that significantly affected trends in the amounts reported.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
FPPA Lamar Old Hire Fire Pension Fund
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
City's proportion of the net pension asset (liability)	100%	100%	100%
City's proportionate share of the net pension asset (liability)	\$ 587,503	\$ 597,999	\$ 565,731
City's covered-employee payroll	N/A	N/A	N/A
City's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	304.63%	310.69%	298.36%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF LAMAR

**SCHEDULE OF CITY CONTRIBUTIONS
FPPA Lamar Old Hire Fire Pension Fund
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Contractually required contributions	\$ -	\$ -	\$ -
Actual contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes				
Property Taxes	\$ 453,087	\$ 453,087	\$ 444,333	\$ (8,754)
Specific Ownership Taxes	61,000	61,000	68,467	7,467
Sales and Use Taxes	3,600,010	3,600,010	3,637,473	37,463
Franchise and In Lieu of Taxes	195,000	195,000	188,277	(6,723)
Other Taxes	1,000	1,000	2,416	1,416
Total Tax Revenue	<u>4,310,097</u>	<u>4,310,097</u>	<u>4,340,966</u>	<u>30,869</u>
Intergovernmental Revenues				
Cigarette Taxes	13,500	13,500	13,196	(304)
Highway Users	248,000	248,000	260,473	12,473
Road and Bridge	49,500	49,500	45,804	(3,696)
Clerk/Motor Vehicle Fees	26,500	26,500	27,026	526
Federal Grants	-	-	725	725
State Grants	222,250	222,250	79,078	(143,172)
Other Intergovernmental	37,890	37,890	28,750	(9,140)
Total Intergovernmental Revenue	<u>597,640</u>	<u>597,640</u>	<u>455,052</u>	<u>(142,588)</u>
Licenses and Permits				
Liquor Licenses	3,000	3,000	3,896	896
Building Permits	45,000	45,000	52,315	7,315
Annexation/Other P&Z Fees	16,000	16,000	9,860	(6,140)
Animal Licenses	-	-	105	105
Business Licenses	13,250	13,250	13,745	495
Other Licenses	5,000	5,000	3,329	(1,671)
Total Licenses and Permits	<u>82,250</u>	<u>82,250</u>	<u>83,250</u>	<u>1,000</u>
Fines and Forfeits				
	<u>43,200</u>	<u>43,200</u>	<u>39,063</u>	<u>(4,137)</u>
Charges for Services				
Recreation/Comm Ctr Charges	129,050	129,050	134,436	5,386
Airport Charges	38,000	38,000	38,442	442
Sales of Goods	8,000	8,000	8,917	917
Rents	40,750	40,750	31,058	(9,692)
Internal Charges	468,457	468,457	468,450	(7)
Other Charges for Services	256,596	256,596	268,032	11,436
Total Charges for Services	<u>940,853</u>	<u>940,853</u>	<u>949,335</u>	<u>8,482</u>
Investment Earnings				
	<u>5,045</u>	<u>5,045</u>	<u>6,746</u>	<u>1,701</u>
Other Revenues				
Reimbursements and Refunds	-	-	445	445
Donations	100	100	1,658	1,558
Insurance Proceeds/Recoveries	-	-	18,684	18,684
Sale of Capital Assets	-	-	36,172	36,172
Other Miscellaneous Revenue	8,725	8,725	80,222	71,497
Total Other Revenue	<u>8,825</u>	<u>8,825</u>	<u>137,181</u>	<u>128,356</u>
TOTAL REVENUES	<u>5,987,910</u>	<u>5,987,910</u>	<u>6,011,593</u>	<u>23,683</u>

See accompanying Independent Auditors' Report.
(Continued)

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			
	Original Budget	Final Budget	Actual	Variance With Final Budget
(Continued)				
EXPENDITURES				
General Government				
Council & Administration	1,671,905	2,521,905	2,414,907	106,998
Information Technology	182,906	182,906	165,244	17,662
Other General Government	317,185	317,185	348,256	(31,071)
Total General Government	<u>2,171,996</u>	<u>3,021,996</u>	<u>2,928,407</u>	<u>93,589</u>
Public Safety				
Police	1,675,782	1,675,782	1,673,252	2,530
Fire	316,473	316,473	384,129	(67,656)
Municipal Court	36,552	36,552	37,234	(682)
Total Public Safety	<u>2,028,807</u>	<u>2,028,807</u>	<u>2,094,615</u>	<u>(65,808)</u>
Public Works				
Community Development	177,542	177,542	191,192	(13,650)
Planning and Zoning	57,024	57,024	62,165	(5,141)
Engineering	158,440	158,440	154,817	3,623
Streets	920,083	920,083	914,078	6,005
Building and Property Maintenance	330,026	330,026	398,406	(68,380)
Total Public Works/Comm Devel	<u>1,643,115</u>	<u>1,643,115</u>	<u>1,720,658</u>	<u>(77,543)</u>
Parks, Recreation and Other				
Parks	495,377	495,377	503,281	(7,904)
Recreation	608,498	608,498	608,338	160
Culture	295,135	295,135	271,601	23,534
Airport	47,550	47,550	47,389	161
Cemetery	222,161	222,161	217,683	4,478
Total Parks, Recreation & Other	<u>1,668,721</u>	<u>1,668,721</u>	<u>1,648,292</u>	<u>20,429</u>

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			
	Original Budget	Final Budget	Actual	Variance With Final Budget
(Continued)				
Capital Outlay				
Public Works Capital Outlay	425,000	425,000	381,670	43,330
Parks, Recreation and Other Capital Outlay	16,000	16,000	16,000	-
Other Capital Outlay	<u>245,000</u>	<u>245,000</u>	<u>133,938</u>	<u>111,062</u>
Total Capital Outlay	<u>686,000</u>	<u>686,000</u>	<u>531,608</u>	<u>154,392</u>
Debt Service				
Principal	244,390	244,390	267,351	(22,961)
Interest	<u>-</u>	<u>-</u>	<u>29,965</u>	<u>(29,965)</u>
Total Debt Service	<u>244,390</u>	<u>244,390</u>	<u>297,316</u>	<u>(52,926)</u>
TOTAL EXPENDITURES	<u>8,443,029</u>	<u>9,293,029</u>	<u>9,220,896</u>	<u>72,133</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(2,455,119)</u>	<u>(3,305,119)</u>	<u>(3,209,303)</u>	<u>95,816</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,064,278	2,064,278	2,064,857	579
Transfers (Out)	<u>(216,250)</u>	<u>(216,250)</u>	<u>(256,778)</u>	<u>(40,528)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,848,028</u>	<u>1,848,028</u>	<u>1,808,079</u>	<u>(39,949)</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (607,091)</u>	<u>\$ (1,457,091)</u>	<u>(1,401,224)</u>	<u>\$ 55,867</u>
Budget to GAAP Basis Reconciliation				
Debt Proceeds			(704,823)	
Capital Outlay			<u>704,823</u>	
NET CHANGE IN FUND BALANCE - GAAP BASIS			<u>(1,401,224)</u>	
FUND BALANCE, BEGINNING			2,503,873	
Prior Period Restatement			<u>339,821</u>	
FUND BALANCE, BEGINNING (As Restated)			<u>2,843,694</u>	
FUND BALANCE, ENDING			<u>\$ 1,442,470</u>	

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAMAR, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	SPECIAL REVENUE FUNDS		
	E-911	Conservation	Victims
	Fund	Trust	Assistance
	Fund	Fund	Fund
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash	\$ 43,330	\$ -	\$ 2,345
Investments	-	-	43,821
Restricted Cash and Investments	-	207,239	-
Receivables			
Intergovernmental Receivables	17,833	-	-
Interest Receivable	-	-	-
Other Receivables	22,250	-	24
Internal Balances	17,038	-	17
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 100,451</u>	<u>\$ 207,239</u>	<u>\$ 46,207</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 7,801	\$ -	\$ -
Accrued Salaries and Benefits	23,161	-	-
Deposits and Escrow	-	-	-
TOTAL LIABILITIES	<u>30,962</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted Fund Balance	69,489	207,239	-
Committed Fund Balance	-	-	46,207
TOTAL FUND BALANCE	<u>69,489</u>	<u>207,239</u>	<u>46,207</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 100,451</u>	<u>\$ 207,239</u>	<u>\$ 46,207</u>

See accompanying Independent Auditors' Report.

SPECIAL REVENUE FUNDS

Library Fund	Fairmont Investment Fund	Lamar Redevelopment Authority Fund	Total 2016
\$ 3,323	\$ -	\$ 253,514	\$ 302,512
-	-	-	43,821
69,851	340,207	-	617,297
-	-	-	17,833
-	64	-	64
-	913	-	23,187
-	1,593	-	18,648
<u>\$ 73,174</u>	<u>\$ 342,777</u>	<u>\$ 253,514</u>	<u>\$ 1,023,362</u>
\$ 213	\$ -	\$ -	\$ 8,014
-	-	-	23,161
<u>155</u>	<u>-</u>	<u>-</u>	<u>155</u>
<u>368</u>	<u>-</u>	<u>-</u>	<u>31,330</u>
72,806	342,777	253,514	945,825
-	-	-	46,207
<u>72,806</u>	<u>342,777</u>	<u>253,514</u>	<u>992,032</u>
<u>\$ 73,174</u>	<u>\$ 342,777</u>	<u>\$ 253,514</u>	<u>\$ 1,023,362</u>

CITY OF LAMAR, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	SPECIAL REVENUE FUNDS		
	E-911	Conservation	Victims
	Fund	Trust	Assistance
	Fund	Fund	Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	227,333	82,997	-
Fines and Forfeits	-	-	-
Charges for Services	-	-	9,418
Investment Earnings	-	162	88
Other Revenues	-	-	-
TOTAL REVENUES	<u>227,333</u>	<u>83,159</u>	<u>9,506</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	437,183	-	17,328
Parks, Recreation and Other	-	20,870	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>437,183</u>	<u>20,870</u>	<u>17,328</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(209,850)</u>	<u>62,289</u>	<u>(7,822)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (In)	216,249	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>216,249</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE - GAAP BASIS	<u>6,399</u>	<u>62,289</u>	<u>(7,822)</u>
FUND BALANCE, BEGINNING	63,090	144,950	54,029
Prior Period Restatement	-	-	-
FUND BALANCE, BEGINNING (As Restated)	<u>63,090</u>	<u>144,950</u>	<u>54,029</u>
FUND BALANCE, ENDING	<u>\$ 69,489</u>	<u>\$ 207,239</u>	<u>\$ 46,207</u>

See accompanying Independent Auditors' Report.

SPECIAL REVENUE FUNDS

Library	Fairmont	Lamar	Total
Fund	Investment	Redevelopment	2016
Fund	Fund	Authority	
Fund	Fund	Fund	2016
\$ -	\$ -	\$ 106,805	\$ 106,805
-	-	-	310,330
-	-	-	-
828	5,159	-	15,405
94	1,420	838	2,602
<u>7,685</u>	<u>195</u>	<u>-</u>	<u>7,880</u>
<u>8,607</u>	<u>6,774</u>	<u>107,643</u>	<u>443,022</u>
-	-	18,162	18,162
-	-	-	454,511
7,749	-	-	28,619
<u>24,865</u>	<u>10,950</u>	<u>62,589</u>	<u>98,404</u>
<u>32,614</u>	<u>10,950</u>	<u>80,751</u>	<u>599,696</u>
<u>(24,007)</u>	<u>(4,176)</u>	<u>26,892</u>	<u>(156,674)</u>
-	-	-	216,249
-	(1,478)	-	(1,478)
-	(1,478)	-	214,771
<u>(24,007)</u>	<u>(5,654)</u>	<u>26,892</u>	<u>58,097</u>
9,852	348,431	226,622	846,974
<u>86,961</u>	<u>-</u>	<u>-</u>	<u>86,961</u>
<u>96,813</u>	<u>348,431</u>	<u>226,622</u>	<u>933,935</u>
<u>\$ 72,806</u>	<u>\$ 342,777</u>	<u>\$ 253,514</u>	<u>\$ 992,032</u>

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CAPITAL PROJECTS FUND

Capital Projects Fund – This fund accounts for construction of capital assets including street improvements, large equipment acquisitions and other capital improvements.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE
Capital Improvement Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues			
Federal Grants	\$ 236,952	\$ 236,952	\$ -
State Grants	514,824	253,562	(261,262)
Total Intergovernmental Revenue	<u>751,776</u>	<u>490,514</u>	<u>(261,262)</u>
Investment Earnings	<u>-</u>	<u>2,860</u>	<u>2,860</u>
Other Revenues			
Donations	<u>167,991</u>	<u>227,458</u>	<u>59,467</u>
TOTAL REVENUES	<u>919,767</u>	<u>720,832</u>	<u>(198,935)</u>
EXPENDITURES			
Parks, Recreation and Other Capital Outlay	690,899	250,768	440,131
Other Capital Outlay	<u>303,950</u>	<u>366,091</u>	<u>(62,141)</u>
TOTAL EXPENDITURES	<u>994,849</u>	<u>616,859</u>	<u>377,990</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(75,082)	103,973	179,055
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>75,082</u>	<u>25,082</u>	<u>\$ (50,000)</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ -</u>	<u>129,055</u>	<u>\$ 129,055</u>
FUND BALANCE, BEGINNING		<u>801,806</u>	
FUND BALANCE, ENDING		<u>\$ 930,861</u>	

See accompanying Independent Auditors' Report.

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for the proceeds of specific revenue sources, other than special assessments, expendable trusts, or major capital projects, that are legally restricted to expenditures for specified purposes.

E-911 Fund – This fund accounts for all emergency services and communications relating to emergency services.

Conservation Trust Fund – This fund accounts for lottery proceeds received from the State government. Expenditures are restricted to the development or improvement of City parks.

Victims' Assistance Fund – This fund accounts for the surcharge on certain fines and tickets and can reimburse victims for out-of-pocket expenses.

Library Fund – This fund accounts for the activity at the City Library.

Fairmount Investment Trust Fund – This fund accounts for the proceeds from the sale of cemetery lots. Interest earnings are restricted to maintenance of the cemetery by a transfer to the General Fund.

Lamar Redevelopment Authority Fund (Component Unit) – This fund accounts for tax increment financing that is available to reinvest in the urban renewal district for property enhancements or new development incentives.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE

E-911 Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues			
Other Intergovernmental	\$ 228,500	\$ 227,333	\$ (1,167)
EXPENDITURES			
Public Safety			
Other Public Safety	456,119	437,183	18,936
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(227,619)	(209,850)	17,769
OTHER FINANCING SOURCES (USES)			
Transfers In	216,250	216,249	(1)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (11,369)</u>	6,399	<u>\$ 17,768</u>
FUND BALANCE, BEGINNING		63,090	
FUND BALANCE, ENDING		<u>\$ 69,489</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE
Conservation Trust Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues			
Cons Trust Fund Revenue	\$ 75,000	\$ 82,997	\$ 7,997
Investment Earnings	<u>40</u>	<u>162</u>	<u>122</u>
TOTAL REVENUES	<u>75,040</u>	<u>83,159</u>	<u>8,119</u>
EXPENDITURES			
Parks, Recreation and Other			
Parks	67,000	20,870	46,130
Capital Outlay			
Parks, Recreation and Other Capital Outlay	<u>8,000</u>	<u>-</u>	<u>8,000</u>
TOTAL EXPENDITURES	<u>75,000</u>	<u>20,870</u>	<u>54,130</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ 40</u>	62,289	<u>\$ 62,249</u>
FUND BALANCE, BEGINNING		144,950	
FUND BALANCE, ENDING		<u>\$ 207,239</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE
Victims Assistance Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Fines and Forfeits	\$ 500	\$ 500	\$ -	\$ (500)
Charges for Services				
Other Charges for Services	15,000	15,000	9,418	(5,582)
Investment Earnings	<u>50</u>	<u>50</u>	<u>88</u>	<u>38</u>
TOTAL REVENUES	15,550	15,550	9,506	(6,044)
EXPENDITURES				
Public Safety				
Other Public Safety	<u>16,400</u>	<u>22,970</u>	<u>17,328</u>	<u>5,642</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (850)</u>	<u>\$ (7,420)</u>	(7,822)	<u>\$ (402)</u>
FUND BALANCE, BEGINNING			<u>54,029</u>	
FUND BALANCE, ENDING			<u>\$ 46,207</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE

Library Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Charges for Services			
Sales of Goods	\$ 1,500	\$ 828	\$ (672)
Investment Earnings			
	5	94	89
Other Revenues			
Donations	10,000	7,140	(2,860)
Other Miscellaneous Revenue	-	545	545
Total Other Revenue	10,000	7,685	(2,315)
TOTAL REVENUES	11,505	8,607	(2,898)
EXPENDITURES			
Parks, Recreation and Other			
Culture	11,500	7,749	3,751
Capital Outlay			
Parks, Recreation and Other Capital Outlay	30,000	24,865	5,135
TOTAL EXPENDITURES	41,500	32,614	8,886
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(29,995)	(24,007)	5,988
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	30,000	-	(30,000)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ 5</u>	<u>(24,007)</u>	<u>\$ (24,012)</u>
FUND BALANCE, BEGINNING		9,852	
Prior Period Restatement		86,961	
FUND BALANCE, BEGINNING (As Restated)		96,813	
FUND BALANCE, ENDING		<u>\$ 72,806</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE
Fairmont Investment Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Charges for Services				
Sales of Goods	\$ 11,500	\$ 11,500	\$ 5,159	\$ (6,341)
Investment Earnings	1,000	1,000	1,420	420
Other Revenues				
Other Miscellaneous Revenue	-	-	195	195
TOTAL REVENUES	<u>12,500</u>	<u>12,500</u>	<u>6,774</u>	<u>(5,726)</u>
EXPENDITURES				
Capital Outlay				
Parks, Recreation and Other Capital Outlay	7,000	8,160	10,950	(2,790)
Other Capital Outlay	800	800	-	800
TOTAL EXPENDITURES	<u>7,800</u>	<u>8,960</u>	<u>10,950</u>	<u>(1,990)</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	4,700	3,540	(4,176)	(7,716)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(1,000)	(1,000)	(1,478)	(478)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ 3,700</u>	<u>\$ 2,540</u>	(5,654)	<u>\$ (8,194)</u>
FUND BALANCE, BEGINNING			<u>348,431</u>	
FUND BALANCE, ENDING			<u>\$ 342,777</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

BUDGETARY COMPARISON SCHEDULE
Lamar Redevelopment Authority Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Property Taxes	\$ 127,072	\$ 106,805	\$ (20,267)
Investment Earnings	250	838	588
TOTAL REVENUES	<u>127,322</u>	<u>107,643</u>	<u>(19,679)</u>
EXPENDITURES			
General Government			
Other General Government	27,245	18,162	9,083
Other Capital Outlay	110,000	62,589	47,411
TOTAL EXPENDITURES	<u>137,245</u>	<u>80,751</u>	<u>56,494</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (9,923)</u>	26,892	<u>\$ 36,815</u>
FUND BALANCE, BEGINNING		<u>226,622</u>	
FUND BALANCE, ENDING		<u>\$ 253,514</u>	

See accompanying Independent Auditors' Report.

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ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises. The costs of providing goods or services to the general public on a continuing basis are recovered primarily from user charges.

The following are the Enterprise Funds of the City:

Utility Fund – This fund accounts for all activities necessary for the provision of electrical services for area residents and businesses, including agricultural usage.

Water Fund – This fund accounts for all activities necessary for the provision of water services to City residents.

Sanitation Fund – This fund accounts for the provision of waste management services to City residents.

Ambulance Fund – This fund accounts for the activities necessary for the operation of the City's ambulance services.

CITY OF LAMAR, COLORADO

COMBINING SCHEDULE OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

DECEMBER 31, 2016

	Sanitation	Ambulance	Total
	Fund	Fund	2016
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash	\$ 55,103	\$ 18	\$ 55,121
Investments	374,006	-	374,006
Restricted Cash and Investments	434,808	-	434,808
Receivables			
Interest Receivable	1,042	-	1,042
Customer Receivable	178,317	99,911	278,228
Other Receivables	15,904	-	15,904
Internal Balances	-	(137,620)	(137,620)
Total Current Assets	<u>1,059,180</u>	<u>(37,691)</u>	<u>1,021,489</u>
Noncurrent Assets			
Capital Assets not being depreciated	18,000	-	18,000
Capital Assets being depreciated	2,830,074	816,751	3,646,825
Accumulated Depreciation	(1,881,974)	(629,501)	(2,511,475)
Total Noncurrent Assets	<u>966,100</u>	<u>187,250</u>	<u>1,153,350</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,025,280</u>	<u>\$ 149,559</u>	<u>\$ 2,174,839</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 20,670	\$ 5,344	\$ 26,014
Accrued Salaries and Benefits	21,073	11,042	32,115
Total Current Liabilities	<u>41,743</u>	<u>16,386</u>	<u>58,129</u>
Noncurrent Liabilities			
Due within one year	8,589	1,858	10,447
Due in more than one year	475,842	7,432	483,274
Total Noncurrent Liabilities	<u>484,431</u>	<u>9,290</u>	<u>493,721</u>
TOTAL LIABILITIES	<u>526,174</u>	<u>25,676</u>	<u>551,850</u>
NET POSITION			
Net Investment in Capital Assets	531,292	187,250	718,542
Unrestricted Net Position	967,814	(63,367)	904,447
TOTAL NET POSITION	<u>1,499,106</u>	<u>123,883</u>	<u>1,622,989</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 2,025,280</u>	<u>\$ 149,559</u>	<u>\$ 2,174,839</u>

See accompanying Independent Auditors' Report

CITY OF LAMAR, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Sanitation Fund	Ambulance Fund	Total 2016
Operating Revenues			
Utility Charges	\$ 1,286,977	\$ -	\$ 1,286,977
Other Charges for Services	3,965	343,454	347,419
Total Revenues	<u>1,290,942</u>	<u>343,454</u>	<u>1,634,396</u>
Operating Expenses			
Ambulance	-	459,545	459,545
Collection, Transmission and Distribution	629,794	-	629,794
Administration	286,755	-	286,755
Depreciation Expense	108,870	54,007	162,877
Total Expenditures	<u>1,025,419</u>	<u>513,552</u>	<u>1,538,971</u>
Operating Income (Loss)	<u>265,523</u>	<u>(170,098)</u>	<u>95,425</u>
Other Income (Expense)			
Intergovernmental Revenue	-	46,250	46,250
Investment Earnings	7,015	1	7,016
Other Revenue	-	5,395	5,395
Gain (Loss) on Sale of Assets	<u>(4,307)</u>	<u>-</u>	<u>(4,307)</u>
Total Other Income (Expense)	<u>2,708</u>	<u>51,646</u>	<u>54,354</u>
Net Income (Loss) before Transfers	268,231	(118,452)	149,779
Transfers			
Transfers In/(Out)	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Change in Net Position	<u>68,231</u>	<u>(118,452)</u>	<u>(50,221)</u>
Net Position, Beginning	1,548,041	295,332	1,843,373
Prior Period Restatement	<u>(117,166)</u>	<u>(52,997)</u>	<u>(170,163)</u>
Net Position, Beginning (As Restated)	1,430,875	242,335	1,673,210
Net Position, Ending	<u>\$ 1,499,106</u>	<u>\$ 123,883</u>	<u>\$ 1,622,989</u>

See accompanying Independent Auditors' Report.

CITY OF LAMAR

**COMBINING SCHEDULE OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Sanitation</u> <u>Fund</u>	<u>Ambulance</u> <u>Fund</u>	<u>Total</u> <u>2016</u>
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 1,286,994	\$ 340,051	\$ 1,627,045
Cash Paid to Suppliers	(602,821)	(258,031)	(860,852)
Cash Paid to Employees	(290,307)	(190,938)	(481,245)
Net Cash Provided by Operating Activities	<u>393,866</u>	<u>(108,918)</u>	<u>284,948</u>
Cash Flows From Capital and Related Financing Activities:			
Change in Closure/Post Closure Liability	21,246	-	21,246
Grant Proceeds	-	46,250	46,250
Proceeds of Capital Asset Sales	(868)	-	(868)
Acquisition of Capital Assets	(291,049)	-	(291,049)
Cash Flows Used by Capital and Related Financing Activities	<u>(270,671)</u>	<u>46,250</u>	<u>(224,421)</u>
Cash Flows (Uses) From Noncapital Financing Activities:			
Cash from Other Funds	(281,265)	57,290	(223,975)
Other Revenues (Expense)	-	5,395	5,395
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(281,265)</u>	<u>62,685</u>	<u>(218,580)</u>
Cash Flows (Uses) From Investing Activities:			
Interest Received	6,973	1	6,974
Net Increase (Decrease) in Cash	(151,097)	18	(151,079)
Cash - Beginning	1,015,014	-	1,015,014
Cash - Ending	<u>\$ 863,917</u>	<u>\$ 18</u>	<u>\$ 863,935</u>
Cash	\$ 55,103	\$ 18	\$ 55,121
Investments	374,006	-	374,006
Restricted Cash and Investments	434,808	-	434,808
Total	<u>\$ 863,917</u>	<u>\$ 18</u>	<u>\$ 863,935</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Income (Loss)	<u>\$ 265,523</u>	<u>\$ (170,098)</u>	<u>\$ 95,425</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	108,870	54,007	162,877
Changes in Assets and Liabilities Related to Operations:			
(Increase) Decrease in:			
Cutomer Receivable	(5,078)	(1,628)	(6,706)
Other Receivables	1,130	(1,775)	(645)
(Increase) Decrease in:			
Accounts Payable	6,417	(613)	5,804
Accrued Salaries and Benefits	7,518	596	8,114
Accrued Compensated Absences	9,486	10,593	20,079
Total Adjustments	<u>128,343</u>	<u>61,180</u>	<u>189,523</u>
Net Cash Used for Operating Activities	<u>\$ 393,866</u>	<u>\$ (108,918)</u>	<u>\$ 284,948</u>

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL**

Utility Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		Variance with Final Budget
	Final Budget	Actual	
Operating Revenues			
Utility Charges	\$ 14,827,182	\$ 15,055,846	\$ 228,664
Other Charges for Services	50,250	5,498	(44,752)
Total Revenues	<u>14,877,432</u>	<u>15,061,344</u>	<u>183,912</u>
Operating Expenses			
Collection, Transmission and Distribution	13,379,588	12,333,225	1,046,363
Administration	-	285,790	(285,790)
Depreciation Expense	950,000	725,733	224,267
Other Capital Outlay	<u>736,500</u>	<u>307,353</u>	<u>429,147</u>
Total Expenditures	<u>15,066,088</u>	<u>13,652,101</u>	<u>1,413,987</u>
Operating Income (Loss)	<u>(188,656)</u>	<u>1,409,243</u>	<u>1,597,899</u>
Other Income (Expense)			
Investment Earnings	20,000	28,759	8,759
Other Revenue	995,000	691,183	(303,817)
Debt Service	(387,646)	(386,317)	1,329
Gain (Loss) on Sale of Assets	<u>-</u>	<u>(106,533)</u>	<u>(106,533)</u>
Total Other Income (Expense)	<u>627,354</u>	<u>227,092</u>	<u>(400,262)</u>
Net Income (Loss) before Transfers	438,698	1,636,335	1,197,637
Transfers			
Transfers In/(Out)	<u>(1,638,460)</u>	<u>(1,638,460)</u>	<u>-</u>
Change in Net Position (Budget Basis)	<u>\$ (1,199,762)</u>	<u>(2,125)</u>	<u>\$ 1,197,637</u>
Budget to GAAP Reconciliation			
Principal Paid		319,936	
Capital Outlay		<u>307,353</u>	
Change in Net Position - GAAP Basis		<u>625,164</u>	
Net Position, Beginning		16,199,121	
Prior Period Restatement		<u>440,991</u>	
Net Position, Beginning (As Restated)		<u>16,640,112</u>	
Net Position, Ending		<u>\$ 17,265,276</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Water & Wastewater Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		Variance with Final Budget
	Final Budget	Actual	
Operating Revenues			
Utility Charges	\$ 2,191,795	\$ 2,555,236	\$ 363,441
Other Charges for Services	29,400	37,088	7,688
Total Revenues	<u>2,221,195</u>	<u>2,592,324</u>	<u>371,129</u>
Operating Expenses			
Commodity Charges	238,100	255,541	(17,441)
Collection, Transmission and Distribution	460,413	541,443	(81,030)
Administration	560,551	542,152	18,399
Depreciation Expense	463,177	463,126	51
Other Capital Outlay	910,171	275,931	634,240
Total Expenditures	<u>2,632,412</u>	<u>2,078,193</u>	<u>554,219</u>
Operating Income (Loss)	<u>(411,217)</u>	<u>514,131</u>	<u>925,348</u>
Other Income (Expense)			
Investment Earnings	3,500	2,540	(960)
Debt Service	(287,909)	(170,646)	117,263
Total Other Income (Expense)	<u>(284,409)</u>	<u>(168,106)</u>	<u>116,303</u>
Net Income (Loss) before Transfers	(695,626)	346,025	1,041,651
Transfers			
Transfers In/(Out)	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net Income (Loss), Budget Basis	(945,626)	96,025	1,041,651
Contributed Capital			
Plant Investment Fees	6,000	8,069	2,069
Intergovernmental Revenue	912,000	232,600	(679,400)
Total Contributed Capital	<u>918,000</u>	<u>240,669</u>	<u>(677,331)</u>
Change in Net Position (Budget Basis)	<u>\$ (27,626)</u>	<u>336,694</u>	<u>\$ 364,320</u>
Budget to GAAP Reconciliation			
Capital Outlay		<u>268,531</u>	
Change in Net Position - GAAP Basis		<u>605,225</u>	
Net Position, Beginning		6,719,202	
Prior Period Restatement		<u>(461,353)</u>	
Net Position, Beginning (As Restated)		6,257,849	
Net Position, Ending		<u>\$ 6,863,074</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Sanitation Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Utility Charges	\$ 1,194,585	\$ 1,286,977	\$ 92,392
Other Charges for Services	3,000	3,965	965
Total Revenues	<u>1,197,585</u>	<u>1,290,942</u>	<u>93,357</u>
Operating Expenses			
Collection, Transmission and Distribution	526,285	629,794	(103,509)
Administration	315,815	286,755	29,060
Depreciation Expense	117,593	108,870	8,723
Other Capital Outlay	275,000	291,050	(16,050)
Total Expenditures	<u>1,234,693</u>	<u>1,316,469</u>	<u>(81,776)</u>
Operating Income (Loss)	<u>(37,108)</u>	<u>(25,527)</u>	<u>11,581</u>
Other Income (Expense)			
Investment Earnings	5,000	7,015	2,015
Gain (Loss) on Sale of Assets	-	(4,307)	(4,307)
Total Other Income (Expense)	<u>5,000</u>	<u>2,708</u>	<u>(2,292)</u>
Net Income (Loss) before Transfers	(32,108)	(22,819)	9,289
Transfers			
Transfers In/(Out)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Change in Net Position (Budget Basis)	<u>\$ (232,108)</u>	<u>(222,819)</u>	<u>\$ 9,289</u>
Budget to GAAP Reconciliation			
Capital Outlay		<u>291,050</u>	
Change in Net Position - GAAP Basis		<u>68,231</u>	
Net Position, Beginning		1,548,041	
Prior Period Restatement		<u>(117,166)</u>	
Net Position, Beginning (As Restated)		<u>1,430,875</u>	
Net Position, Ending		<u>\$ 1,499,106</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Ambulance Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Other Charges for Services	\$ 250,920	\$ 343,454	\$ 92,534
Operating Expenses			
Ambulance	334,170	459,545	(125,375)
Depreciation Expense	50,000	54,007	(4,007)
Total Operating Expenses	<u>384,170</u>	<u>513,552</u>	<u>(129,382)</u>
Operating Income (Loss)	<u>(133,250)</u>	<u>(170,098)</u>	<u>(36,848)</u>
Other Income (Expense)			
Intergovernmental Revenue	46,250	46,250	-
Investment Earnings	8	1	(7)
Other Revenue	500	5,395	4,895
Total Other Income (Expense)	<u>46,758</u>	<u>51,646</u>	<u>4,888</u>
Change in Net Position (Budget Basis)	<u>\$ (86,492)</u>	<u>(118,452)</u>	<u>\$ (31,960)</u>
Net Position, Beginning		295,332	
Prior Period Restatement		<u>(52,997)</u>	
Net Position, Beginning (As Restated)		<u>242,335</u>	
Net Position, Ending		<u>\$ 123,883</u>	

See accompanying Independent Auditors' Report.

INTERNAL SERVICE FUNDS

Internal Service funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Self Insurance Fund – This fund accounts for the health insurance costs and self-insurance costs incurred by covered individuals. The City has not been self-insured since 2014 and the fund was consolidated back into the City’s General Fund effective January 1, 2016.

Unemployment Fund – This fund accounts for the unemployment contributions paid by the various funds and pays any unemployment claims. The City has elected to be self-insured for unemployment.

Lamar Building Finance Corporation Fund – This fund accounts for activities relating to the Lamar Building Finance Corporation (blended component unit) and related Certificates of Participation for real property, including buildings, for recreational and cultural purposes. As the underlying Certificates of Participation have been repaid, the Lamar Building Finance Corporation is now inactive. The City has restated prior year financial statements to reflect the repayment and transfer of the related capital assets to the City’s governmental activities.

CITY OF LAMAR, COLORADO

COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2016

	Self Insurance	Unemployment	Lamar Building Finance Corporation	Total
	Fund	Fund	Fund	2016
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Investments	\$ -	\$ 76,134	\$ -	\$ 76,134
Prepaid Expenses	-	11,984	-	11,984
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ -</u>	<u>\$ 88,118</u>	<u>\$ -</u>	<u>\$ 88,118</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
NET POSITION				
Unrestricted Net Position	<u>\$ -</u>	<u>\$ 88,118</u>	<u>\$ -</u>	<u>\$ 88,118</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ -</u>	<u>\$ 88,118</u>	<u>\$ -</u>	<u>\$ 88,118</u>

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Self Insurance	Unemployment	Lamar Building Finance Corporation	Total
	Fund	Fund	Fund	2016
Operating Expenses				
Administration	\$ -	\$ 3,794	\$ -	\$ 3,794
Other Income (Expense)				
Investment Earnings	-	357	-	357
Net Income (Loss) before Transfers	-	(3,437)	-	(3,437)
Transfers				
Transfers In/(Out)	40,528	-	-	40,528
Change in Net Position	40,528	(3,437)	-	37,091
Net Position, Beginning	(40,528)	91,555	3,428,550	3,479,577
Prior Period Restatement	-	-	(3,428,550)	(3,428,550)
Net Position, Beginning (As Restated)	(40,528)	91,555	-	51,027
Net Position, Ending	\$ -	\$ 88,118	\$ -	\$ 88,118

See accompanying Independent Auditors' Report.

CITY OF LAMAR

**COMBINING SCHEDULE OF CASH FLOWS -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Self Insurance Fund	Unemployment Fund	Lamar Building Finance Corporation Fund	Total 2016
Cash Flows From Operating Activities:				
Cash Paid to Suppliers	\$ (5,402)	\$ (14,256)	\$ -	\$ (19,658)
Cash Flows (Uses) From Noncapital Financing Activities:				
Cash (to) from Other Funds	5,302	-	(87,375)	(82,073)
Cash Flows (Uses) From Investing Activities:				
Interest Received	-	357	-	357
Net Increase (Decrease) in Cash	(100)	(13,899)	(87,375)	(101,374)
Cash - Beginning	100	90,033	87,375	177,508
Cash - Ending	<u>\$ -</u>	<u>\$ 76,134</u>	<u>\$ -</u>	<u>\$ 76,134</u>
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	76,134	-	76,134
Restricted Cash and Investments	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 76,134</u>	<u>\$ -</u>	<u>\$ 76,134</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	\$ -	\$ (3,794)	\$ -	\$ (3,794)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Prepaid Expenses	-	(10,462)	-	(10,462)
(Increase) Decrease in:				
Accounts Payable	(5,402)	-	-	(5,402)
Total Adjustments	<u>(5,402)</u>	<u>(10,462)</u>	<u>-</u>	<u>(15,864)</u>
Net Cash Used for Operating Activities	<u>\$ (5,402)</u>	<u>\$ (14,256)</u>	<u>\$ -</u>	<u>\$ (19,658)</u>

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Self Insurance Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Final Budget	Actual	Variance with Final Budget
Transfers			
Transfers In/(Out)	\$ -	\$ 40,528	\$ 40,528
Net Position, Beginning		(40,528)	
Net Position, Ending		\$ -	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Unemployment Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Final Budget	Actual	Variance with Final Budget
Operating Expenses			
Administration	\$ 15,000	\$ 3,794	\$ 11,206
Other Income (Expense)			
Investment Earnings	<u>400</u>	<u>357</u>	<u>(43)</u>
Change in Net Position (Budget Basis)	<u>\$ (14,600)</u>	<u>(3,437)</u>	<u>\$ 11,163</u>
Net Position, Beginning		<u>91,555</u>	
Net Position, Ending		<u>\$ 88,118</u>	

See accompanying Independent Auditors' Report.

CITY OF LAMAR, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Lamar Building Finance Corporation Fund
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Internal Charges	\$ 113,809	\$ -	\$ (113,809)
Other Income (Expense)			
Debt Service	(105,609)	-	105,609
Other Expense	(8,200)	-	8,200
Total Other Income (Expense)	(113,809)	-	113,809
Change in Net Position (Budget Basis)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net Position, Beginning		3,428,550	
Prior Period Restatement		<u>(3,428,550)</u>	
Net Position, Beginning (As Restated)		-	
Net Position, Ending		<u>\$ -</u>	

See accompanying Independent Auditors' Report.

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COMPLIANCE SECTION

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State Compliance

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

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

This Information From The Records Of (example - City of _ or County of City of Lamar	Prepared By: Kristin McCrea
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

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)	608,764
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	485,015
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	2,857
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	1,527,867	c. Other	261,906
4. Miscellaneous local receipts (from page 2)	4,398	d. Total (a. through c.)	264,763
5. Transfers from toll facilities		4. General administration & miscellaneous	45,494
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	415,728
a. Bonds - Original Issues		6. Total (1 through 5)	1,819,764
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)	1,532,265	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	287,499	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,819,764	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	
			1,819,764

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
		1,819,764	1,819,764		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2016

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	45,810	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	4,398
1. Sales Taxes	1,432,656	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	49,401	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,482,057	h. Other	
c. Total (a. + b.)	1,527,867	i. Total (a. through h.)	4,398
	(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	260,473	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	27,026	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	27,026	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	287,499	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		21,252	21,252
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		381,670	381,670
(4). System Enhancement & Operation		205,842	205,842
(5). Total Construction (1) + (2) + (3) + (4)	0	587,512	587,512
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	608,764	608,764
			(Carry forward to page 1)

Notes and Comments: