

cPa DIXON, WALLER & CO., INC.

CITY OF LAS ANIMAS, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2016



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DIXON, WALLER & CO., INC.

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FINANCIAL STATEMENTS
December 31, 2016

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CITY OF LAS ANIMAS, COLORADO
ROSTER OF OFFICIALS
December 31, 2016

Jim Collins	Mayor
Elizabeth Ybarra	Mayor Pro-Tem
Troy Abdulla	Trustee
Eloy Salazar	Trustee
Robert Smith	Trustee
Janice Cline	Trustee
Frank Schmeiser	Trustee

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Las Animas
Las Animas, CO 81054

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 Las Animas, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City of Las Animas, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend data on pages i through xi and 45 through 50 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Las Animas' basic financial statements. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Dixon, Waller & Co., P.C.

June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Las Animas Colorado
Management's Discussion and Analysis

For the December 31, 2016 financial statements, the City has implemented a major reporting format in 2004 in compliance with the Governmental Accounting Standards Board Statement Number 34 (GASB 34). It was a significant change in governmental financial reporting. This change brought about several new financial statements and this narrative titled Management's Discussion and Analysis.

This discussion and analysis of the City of Las Animas financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the additional information that we have furnished in our letter of transmittal, and the City's financial statements beginning on page 3.

Statements included are:

- Statement of Net Position-a statement that combines the financial position as of December 31, 2016 for all funds on a government-wide basis.
- Statement of Activities-a statement that combines the changes in financial position for the year ended December 31, 2016 for all funds on a government-wide basis.
- Statements for Governmental funds-these present the governmental funds such as the general fund, parks and recreation fund, special revenue funds, capital project fund and other funds.
- Statements for Business-type funds-these present proprietary funds, such as the City's Electric, Water, Sewer and Sanitation utility funds.

FINANCIAL HIGHLIGHTS

- The City of Las Animas General Fund is experiencing a decreasing fund balance.
- The assets of the City of Las Animas exceed its liabilities at the close of 2016 by \$12,792,307 (net position). Of this amount, \$1,906,164 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$(157,424), a 2% decrease over the prior year net position. Sales Tax revenue was more than the budgeted amount by \$7,049.
- At the end of 2016, the City's governmental funds reported combined ending fund balances of \$658,267 a decrease of(\$77,736) in comparison with the end of 2015.
- At the end of 2016, the unreserved and undesignated fund balance for the general fund was \$379,106 which is 39% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Las Animas's basic financial statements. The City of Las Animas's basic financial statements comprise of: Combined Statements-Overview, Financial Statements of Individual funds & Schedules. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements-Governmental Wide Financial Statements

These financial statements present information on all the City of Las Animas's assets and liabilities and Fund Equity. This report may serve as a useful indicator of whether the financial position of the City of Las Animas is improving or deteriorating.

Combined And Individual Fund Statements and Other Schedules

These statements present information showing how the accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into three broad categories as follows:

Governmental Funds

The General Fund is the general operating fund of the City. The General Fund is principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Las Animas include general government, public safety, streets, recreation, special revenue funds and capital projects funds. These statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year.

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes:

Conservation Trust Fund-to account for the operations of a conservations trust fund financed by the state. Contributions are to be for the improvement of park and recreation facilities.

1% Street Capital Improvement- to account for the collection and use of sales tax monies specifically for street and highway improvement.

Sales Tax Development Fund-to account for donations to area entities to promote community services. This fund is financed with sales tax receipts.

Capital Projects Funds are used to account for specific revenues that are legally restricted to expenditures for capital purposes.

Infrastructure and Improvement Fund-to account for the expenditures for the construction and improvement of infrastructure assets. This fund is financed with sales tax receipts.

The City of Las Animas adopts an annual appropriated budget for all of its funds a budgetary comparison compliance statement is provided for each of the major and non-major funds.

Proprietary Funds

The City of Las Animas maintains four different types of proprietary funds. Enterprise funds are operations that are financed and operated in a manner similar to private business-type activities as presented in the Statement of Revenue, Expenditures and Changes in Net Position. The City of Las Animas uses the enterprise funds to account for the Electric, Water, Sewer and Sanitation utility functions. The enterprise funds provide goods of services to the general public on a continuing basis to be financed or recovered through user charges.

The basic proprietary fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to the full understanding of the data provided in the Statement of Revenue, Expenses and changes in Net Position/Fund Balances; Combined Statement of Cash Flows all Proprietary Funds.

The notes to the financial statements can be found on pages 13-44 of this report.

As noted earlier, net assets may serve as a useful indicator of the City's financial position. In the case of the City of Las Animas, assets exceed liabilities by \$12,792,307 at the close of **2016**.

By far the largest portion of the City of Las Animas's net position reflects its investment in fixed assets (e.g., land, building, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Las Animas uses these fixed assets to provide services to citizens.

Current assets and current liabilities are generally included on their statement of net position. The statement of activities shows revenues and other financing sources and expenditures and other financing uses in net position. The Statement of Activities will provide a summary of sources and uses of available spendable resources during a period. Resources needed to repay debt must be shown as non-operating expenses.

City of Las Animas Condensed Statement of Net Position December 31, 2016

	Governmental		Enterprises		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current assets	1,099,251	1,596,666	4,091,199	3,932,232	5,190,450	5,528,898
Prop, Plant, Equip	1,800,746	1,902,292	10,845,028	10,977,094	12,645,774	12,879,386
Fixed assets (Net)						
Total Assets	2,899,997	3,498,958	14,936,227	14,909,326	17,836,224	18,408,284
Deferred Outflows	138,527	47,848	431,978	151,975	570,505	199,823
Long-term debt	58,713	520,404	397,854	322,938	456,567	843,342
Other Liabilities	803,341	680,497	3,994,030	3,853,071	4,797,371	4,533,568
Total Liabilities	862,054	1,200,901	4,391,884	4,176,009	5,253,938	5,376,910
Deferred Inflows	331,519	281,413	28,965	53	360,484	281,466
Net Position:						
Inv in cap assets,	1,796,690	1,902,292	8,704,689	8,650,387	10,501,379	10,552,679
Net of Related Debt						
Restricted for:						
Debt Retire	-	-	62,239	64,960	62,239	64,960
Asset Retire	-	-	46,368	46,368	46,368	46,368
Capital Imp	178,665	195,058	-	-	178,665	195,058
Park & Recreation	15,703	10,550	-	-	15,703	10,550
Economic Develop	42,889	43,207	-	-	42,889	43,207
Tabor Reserve	38,900	47,490	-	-	38,900	47,490
Unrestricted	(227,896)	(134,105)	2,134,060	2,123,524	1,906,164	1,989,419
Total Net Position	1,844,951	2,064,492	10,947,356	10,885,239	12,792,307	12,949,731

From the above summary, the reader should be aware of the following: unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt obligations, legislation or other legal requirements. It is comprised of fund balances, reserves and other monies. Net Position and net expenses of governmental activities combined is helpful as well as looking at them separately. The Management and financing of these activities is very different:

Governmental activities are the legislative, executive, administration, police, street, and parks.

Enterprise activities such as the electric, water, sewer and sanitation departments are treated as independent businesses the City operates.

Changes in net position

The City's total revenues of \$7,372,061 were under the program expenses of \$7,529,485 for a decrease in net position of \$157,424.

This is the seventh year to report all activities on the accrual basis of accounting; a detailed comparison to the prior year is possible.

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Charges for Services	137,288	141,739	5,909,447	5,946,220	6,046,735	6,087,959
Operating Grants and Cont	117,812	141,548	-	-	117,812	141,548
Capital Grants and Cont.	10,619	137,122	14,400	136,251	25,019	273,373
General Revenues:						
Property Taxes	281,496	240,399	-	-	281,496	240,399
Other Taxes	739,179	744,348	-	-	739,179	744,348
Intergovern Not Rest.	14,370	381,156	-	-	14,370	381,156
Other Revenue	34,959	10,178	27,550	28,602	62,509	38,780
Insurance Proceeds	67,809	-	-	-	67,809	-
Investment Earnings	3,205	3,627	13,927	13,394	17,132	17,021
Total Revenues	1,406,737	1,800,117	5,965,324	6,124,467	7,372,061	7,924,584
Expenses:						
General Government	477,879	340,269	-	-	477,879	340,269
Public Safety	354,587	356,964	-	-	354,587	356,964
Public Works	397,775	864,325	-	-	397,775	864,325
Culture & Recreation	135,845	155,113	-	-	135,845	155,113
Community Services	68,308	91,429	-	-	68,308	91,429
Pension Amort Exp	34,939	5,478	-	-	34,939	5,478
Utilities	-	-	6,060,152	5,681,964	6,060,152	5,681,964
Total Expenses	1,469,333	1,813,578	6,060,152	5,681,964	7,529,485	7,495,542
Increase (Decrease) in Net Position						
Before Transfers	(62,596)	(13,461)	(94,828)	442,503	(157,424)	429,042
Transfers	(156,945)	(129,538)	156,945	129,538	-0-	-0-
Change in Net Position	(219,541)	(142,999)	62,117	572,041	(157,424)	429,042
Net Position-Jan 1	2,064,492	2,207,491	10,885,239	10,313,198	12,949,731	13,355,035
Net Position-Dec 31	1,844,951	2,064,492	10,947,356	10,885,239	12,792,307	12,949,731

General Fund Budgetary Highlights-Overall revenue in the General Fund was \$32,698 under the original budget. Sales and other use tax is the main revenue source for the General Fund. While some revenue sources were higher than budgeted, others were under budget such as:

- There was an increase of \$7,049 to the sales tax collected due an improved economy in Las Animas.
- The Light & Power franchise was \$4,896 less due to decreased use of electricity by consumers.
- The Cable TV Franchise and was down \$3,724 due to non-payment by Satview Broadband and the Kinder Morgan Gas Franchise was also down \$4,862 due to a mild winter.
- The Police Department has ceased operation as of March 2013. The Sheriff's office is now in charge of public safety. The City of Las Animas pays a monthly fee to the Sheriff's office for this service.
- Court and traffic fines were down \$11,425 due to the less tickets being issued.
- No equipment was sold in 2016.
- Interest collection was down \$1,294 due to lower fund balances.
- License & Permits decreased due to less home improvement projects by \$3,092.

The General Fund balance is \$418,006. This figure includes emergency and contingency reserve. The department heads are diligent to review their budgets and do not purchase any items that are not needed.

The unreserved fund balance is available for spending at the City's discretion on streets, parks, recreation and other projects in the General Fund.

- Reduced spending by all departments such as Legislative, Council, Judicial, Executive, Administration, Police, Public Works, Sanitation, and Recreation.

The City's Enterprise Funds, (Electric, Water, Sewer and Sanitation) charge monthly users fees and this accounts for the bulk of the revenues. The expense budget for the Sewer Fund was \$3,955,207 and the actual spent was \$266,799. The expense budget for the electric was \$4,080,889 and the actual spent was \$4,288,007. The expense budget for the Water Fund was \$4,841,726 and the actual spent was \$728,912. The expense budget for the Sanitation Fund was \$1,039,107 and the actual spent was \$496,231.

Electric, Water, Sewer and Sanitation Analysis

- Charges for Services includes the revenue from the sale of electricity and the energy cost adjustment. Interest declined due to the low interest rates on the certificates of deposits.
- Sewer systems operations include fuel, chemicals, plant supplies, tools and lift station
- Sewer system maintenance includes cleaning of sewer pipe, lagoon maintenance cost and vehicle repairs.

CAPITAL ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land (Not Depreciated)	239,598	239,598	170,821	170,821	410,419	410,419
<u>Capital Assets (Depreciated)</u>						
Buildings & Systems	1,101,963	1,101,963	19,822,562	19,537,206	20,924,525	20,639,169
Vehicles	192,943	192,943	-	-	192,943	192,943
Equipment	632,116	624,060	3,811,865	3,677,146	4,443,981	4,301,206
Infrastructure	1,663,964	1,610,641	-	-	1,663,964	1,610,641
<u>Total Capital Assets</u>	<u>3,590,986</u>	<u>3,529,607</u>	<u>23,634,427</u>	<u>23,214,352</u>	<u>27,225,413</u>	<u>26,743,959</u>
<u>Depreciated</u>						
<u>Less Accumulated Depreciation for:</u>						
Buildings & Systems	581,697	513,330	-	-	581,697	513,330
Utility System	-	-	12,960,220	12,408,079	12,960,220	12,408,079
Vehicles	190,843	188,743	-	-	190,843	188,743
Equipment	612,781	603,520	-	-	612,781	603,520
Infrastructure	644,517	561,320	-	-	644,517	561,320
<u>Total Accumulated</u>						
<u>Depreciation</u>	<u>2,029,838</u>	<u>1,866,913</u>	<u>12,960,220</u>	<u>12,408,079</u>	<u>14,990,058</u>	<u>14,274,992</u>

As of the end of 2016, the City of Las Animas Governmental Activities and Business-Type Activities has invested \$16,961,625 in a broad range of capital assets.

Beginning in 2016, general infrastructure assets are depreciated. Total depreciation expense for the Governmental Activities is \$169,925 and the total depreciation for the Business Type Activities is \$610,785. The City of Las Animas depreciates capital assets, except land and water rights, using the straight-line depreciation method and a predetermined useful life of the asset. Infrastructure includes only roads added to inventory during 2016.

LONG-TERM DEBT

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Long-Term Debt</u>						
<u>Governmental Activities:</u>						
Lease Purchase Agreement	4,056	-	-	19,155	4,056	19,155
Land Reclamation Costs	16,000	16,000	-	-	16,000	16,000
Compensated Absences	15,160	13,881	-	-	15,160	13,881
<u>Business-Type Activities:</u>						
Bonds Payable	-	-	807,300	832,300	807,300	832,300
Notes Payable	-	-	1,333,039	1,473,607	1,333,039	1,473,607
Compensated Absences	-	-	121,862	111,114	121,862	111,114
Landfill Post closure	-	-	120,666	118,991	120,666	118,991
Total	35,216	29,881	2,382,867	2,555,167	2,418,083	2,585,048

Sewer Fund

Water Pollution Control Revolving Fund payable to Colorado Water Resources and Power Development Authority, dated November 12, 1998 maturing serially on May 1, 1999 through November 1, 2018 and bearing interest at a rate of 4.50%.

Total remaining principal is \$155,017

Water Pollution Control Revolving Fund payable to Colorado Water Resources and Power Development Authority, dated November 4, 2011, maturing serially on November 1, 2012 through May 1, 2032 and Bearing Interest at a rate of 0%.

Total remaining principal is \$244,592.

Water Pollution Control Revolving Fund payable to Colorado Water Resources and Power Development Authority, dated March 26, 2009, maturing serially on May 1, 2009 through November 1, 2028 and Bearing Interest at a rate of 0%.

Total remaining principal is \$226,200.

Colorado Water Resources Power Development requires that the Sewer Loan Agreements require that the City maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year. The required reserve for the sewer fund is \$62,239.

Water Fund

Water Revenue Bonds, Dated October 10, 1996, mature serially on June 1 and December 1, 1998, through December 1, 2036, and bear interest at 4.50%.

Total remaining principal is \$464,100.

Water Revenue Bonds, dated December 17, 1996, mature serially on June 1 and December 1, 1998, through December 1, 2036, and bear interest at 4.50%.

USDA-Rural Development requires that the R. O. plant loan agreements require that the City maintain an operations and maintenance reserve in the amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year.

Total remaining principal is \$343,200.

Water Pollution Control Revolving Fund payable to Colorado Water Resources and Power Development Authority, dated March 26, 2008, maturing serially on May 1, 2009 through November 1, 2038 and Bearing Interest at a rate of 0%.

Total remaining principal is \$595,466.

Water Pollution Control Revolving Fund payable to Colorado Water Resources and Power Development Authority, dated December 19, 2013, maturing serially on November 1, 2014 through May 1, 2034 and Bearing Interest at a rate of 0%.

Total remaining principal is \$111,764.

Sanitation Fund

The estimate of cost for final closure and post closure care of the Landfill is \$120,666. The City expects to close the landfill in the year 2034.

During 2012, The City entered into a lease purchase agreement to acquire a Sanitation Truck and Sanitation Equipment with the First National Bank of Las Animas. The annual interest rate is 3.75%. The balance due for the Sanitation Truck is \$-0- and the balance due for the Sanitation Equipment is \$-0- as it was paid in full in December 2016.

Defined Benefit Pension Plan-Policemen

Full time City policeman are eligible to participate in the City of Las Animas Police Pension Fund. As a police department affiliated with the Fire and Police Pension Association and having “old hire” or Local plan ‘new hire’ employees our department is provided an actuarial study every two years at no additional cost to the City. There are three members in the “old hire” police pension plan: Widow Betty Roberts (Norman Roberts), Jerry Butler, Retiree and Donald DeLong, Retiree.

The total ending balance, Dec. 31, 2016, of the “old hire” pension plan was \$250,143.30.

Supplemental Death and Disability Plan: The town participates in the Supplemental Death and Disability Plan, the total contribution rate required for 2016 is 2.4% of base salary. The employee is responsible for the 2.4% rate.

The City of Las Animas Police department ceased operations in March of 2012. There will be no new hires in future years.

Defined Benefit Plan-PERA

The City of Las Animas became a member of the Public Employee’s Retirement Association of Colorado effective January 1, 2003.

The City of Las Animas provides benefits for all non fire or police employees through a defined benefit plan (PERA). One year of service is required to be 100% vested. The City of Las Animas contributes 13.7% of covered salary and the employee contributes 8% of covered salary.

The City of Las Animas also offers a 401K plan with PERA for those employees that wish to participate.

Intergovernmental Agreement

The City of Las Animas is a member of the Colorado Intergovernmental Risk Sharing Agency, a self-insurance pool to provide defined coverages and claims and risk management services. The City has a deductible of \$1,000.00 for each liability, auto liability, property and auto physical damage per occurrence basis.

The City is a member of Pinnacol Assurance for Worker’s Compensation. Coverage and limits for workers’ compensation is to statutory limits and employer’s liability is to \$2,000,000 each accident.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Assessed valuation used for the 2016 budget preparation is \$7,215,310. There is a general agreement among practitioners that the most restrictive of the two revenue limits ("5.5% or TABOR must be respected, disallowing the levying of the greater amount of revenue which would be allowed under the other limit). The City's mill levy will remain at 39 mills for the 2016 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, please contact the City's Budget Officer, Charmaine D. Tripp at 532 Carson Ave, Las Animas, Colorado 81054, or by calling (719) 456-0422.

BASIC FINANCIAL STATEMENTS

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	608,527	3,287,294	3,895,821
Receivables (Net, where Applicable, of Allowance for Uncollectibles):			
Accounts & Assessments	159,758	505,959	665,717
Property Tax	323,394	-	323,394
Accrued Interest	298	-	298
Due From Other Funds	7,274	26,708	33,982
Inventories	-	231,003	231,003
Prepaid Expense	-	40,034	40,034
Fixed Assets (Net)	1,800,746	10,845,028	12,645,774
<u>Total Assets</u>	<u>2,899,997</u>	<u>14,936,026</u>	<u>17,836,023</u>
DEFERRED OUTFLOW OF RESOURCES			
Contributions Subsequent to Pension Measurement Date	35,318	117,233	152,551
Deferred Pension Cost Plan	103,209	314,745	417,954
<u>Total Deferred Outflow of Resources</u>	<u>138,527</u>	<u>431,978</u>	<u>570,505</u>
LIABILITIES			
Accounts Payable	32,005	390,379	422,384
Due to Other Funds	26,708	7,274	33,982
Customer Deposits Payable	-	50,933	50,933
Accrued Interest Payable	-	5,216	5,216
Noncurrent Liabilities:			
Due Within One Year	4,056	170,067	174,123
Due in More Than One Year	16,000	1,970,272	1,986,272
Compensated Absences Payable	15,160	121,862	137,022
Net Pension Liability	768,125	1,555,014	2,323,139
Landfill Closure and Post-Closure Cost	-	120,666	120,666
<u>Total Liabilities</u>	<u>862,054</u>	<u>4,391,683</u>	<u>5,253,737</u>
DEFERRED INFLOW OF RESOURCES			
Property Tax	323,394	-	323,394
Deferred Pension Plan	8,125	28,965	37,090
<u>Total Deferred Outflow of Resources</u>	<u>331,519</u>	<u>28,965</u>	<u>360,484</u>
NET POSITION			
Net Investment in Capital Assets	1,796,690	8,704,689	10,501,379
Restricted for:			
Debt Retirement	-	62,239	62,239
Asset Retirement	-	46,368	46,368
Capital Improvements	178,665	-	178,665
Parks and Recreation	15,703	-	15,703
Economic Development	42,889	-	42,889
Tabor Reserve	38,900	-	38,900
Unrestricted	(227,896)	2,134,060	1,906,164
TOTAL NET POSITION	<u>1,844,951</u>	<u>10,947,356</u>	<u>12,792,307</u>

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

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>FUNCTIONS/PROGRAMS</u>							
<u>Governmental Activities</u>							
General Government	477,879	106,979	-	-	(370,900)	-	(370,900)
Public Safety	354,587	5,575	-	-	(349,012)	-	(349,012)
Public Works	397,775	-	93,662	10,619	(293,494)	-	(293,494)
Culture & Recreation	135,845	14,047	24,150	-	(97,648)	-	(97,648)
Community Services	68,308	10,687	-	-	(57,621)	-	(57,621)
Pension Amortization Expense	34,939	-	-	-	(34,939)	-	(34,939)
Total Governmental Activities	1,469,333	137,288	117,812	10,619	(1,203,614)	-	(1,203,614)
<u>BUSINESS TYPE ACTIVITIES</u>							
Water	880,217	749,302	-	14,400	-	(116,515)	(116,515)
Sewer	514,577	473,525	-	-	-	(41,052)	(41,052)
Sanitation	548,729	531,214	-	-	-	(17,515)	(17,515)
Power and Light	4,116,629	4,155,406	-	-	-	38,777	38,777
Total Business Type Activities	6,060,152	5,909,447	-	14,400	-	(136,305)	(136,305)
Total Primary Government	7,529,485	6,046,735	117,812	25,019	(1,203,614)	(136,305)	(1,339,919)
<u>General Revenues:</u>							
					281,496	-	281,496
					31,375	-	31,375
					566,117	-	566,117
					141,687	-	141,687
					14,370	-	14,370
					3,205	13,927	17,132
					67,809	-	67,809
					34,959	27,550	62,509
					(156,945)	156,945	-
					<u>984,073</u>	<u>198,422</u>	<u>1,182,495</u>
					(219,541)	62,117	(157,424)
					<u>2,064,492</u>	<u>10,885,239</u>	<u>12,949,731</u>
					<u>1,844,951</u>	<u>10,947,356</u>	<u>12,792,307</u>

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

CITY OF LAS ANIMAS, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Special Revenue 1% Street Improvement Fund	Capital Projects Infrastructure and Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	397,788	76,243	79,561	54,935	608,527
Receivables (Net, of Allowance where Applicable)					
Accounts, Grants, Notes	44,976	24,679	24,679	6,547	100,881
Property Tax	323,394	-	-	-	323,394
Accrued Interest	298	-	-	-	298
Due From Other Funds	6,949	-	-	944	7,893
Other Assets	-	-	-	-	-
<u>Total Assets</u>	<u>773,405</u>	<u>100,922</u>	<u>104,240</u>	<u>62,426</u>	<u>1,040,993</u>
<u>LIABILITIES:</u>					
Accounts Payable	32,005	-	-	-	32,005
Due To Other Funds	-	-	26,500	827	27,327
Other Payables	-	-	-	-	-
<u>Total Liabilities</u>	<u>32,005</u>	<u>-</u>	<u>26,500</u>	<u>827</u>	<u>59,332</u>
<u>DEFERRED INFLOW OF RESOURCES</u>					
Property Tax	323,394	-	-	-	323,394
<u>FUND BALANCES:</u>					
Restricted for:					
Emergencies	38,900	-	-	-	38,900
Parks and Recreation	-	-	-	15,703	15,703
Capital Improvement	-	100,922	77,740	3	178,665
Economic Development	-	-	-	42,889	42,889
Committed for:					
Parks and Recreation	-	-	-	-	-
Assigned for:					
Revolving Loan	147,066	-	-	-	147,066
Parks and Recreation	-	-	-	3,004	3,004
Unassigned:	232,040	-	-	-	232,040
<u>Total Fund Balances</u>	<u>418,006</u>	<u>100,922</u>	<u>77,740</u>	<u>61,599</u>	<u>658,267</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</u>					
	<u>773,405</u>	<u>100,922</u>	<u>104,240</u>	<u>62,426</u>	<u>1,040,993</u>

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

CITY OF LAS ANIMAS, COLORADO
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2016

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

<u>Total Fund Balance – Governmental Funds</u>		658,267
Revolving Loan Receivables which do not provide current financial resources are not reported on the governmental fund financial statements but recognized on the government-wide financial statements, net of applicable allowance for uncollectibles.		58,877
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,830,584 and the accumulated depreciation is \$2,029,838.		1,800,746
Long-term liabilities, including leases, compensated absences and net interest payable are not due and payable in the current period and therefore are not reported in the funds.		
Reclamation Payable	(16,000)	
Lease Payable	(4,056)	
Accrued Interest Payable	-	
Compensated Absences	(15,160)	(35,216)
Net pension liability, deferred outflows, and deferred inflows related to pensions are not current financial resources and therefore are not reported as assets or liabilities in the governmental funds.		<u>(637,723)</u>
<u>Total Net Position – Governmental Activities</u>		<u>1,844,951</u>

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

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General Fund	Special Revenue 1% Street Improvement Fund	Capital Projects Infrastructure and Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>					
Taxes	467,486	162,049	162,048	79,971	871,554
Licenses and Permits	3,908	-	-	-	3,908
Intergovernmental Revenue	102,820	-	-	34,769	137,589
Franchise Fees	141,687	-	-	-	141,687
Charges for Services	153,317	-	-	14,047	167,364
Interest Revenue	2,706	235	161	103	3,205
Fines and Forfeits	5,575	-	-	-	5,575
Miscellaneous Revenues	<u>32,922</u>	<u>45</u>	<u>-</u>	<u>1,991</u>	<u>34,958</u>
<u>Total Revenues</u>	<u>910,421</u>	<u>162,329</u>	<u>162,209</u>	<u>130,881</u>	<u>1,365,840</u>
<u>EXPENDITURES:</u>					
General Government	433,878	-	-	-	433,878
Public Safety	354,387	-	-	-	354,387
Public Works	178,234	161,256	-	10,619	350,109
Culture and Recreation	-	-	-	80,038	80,038
Community Services	100	-	-	68,208	68,308
Debt Service	-	-	-	-	-
Revolving Loan	<u>7,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,967</u>
<u>Total Expenditures</u>	<u>974,566</u>	<u>161,256</u>	<u>-</u>	<u>158,865</u>	<u>1,294,687</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(64,145)</u>	<u>1,073</u>	<u>162,209</u>	<u>(27,984)</u>	<u>71,153</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Lease Purchase Proceeds	8,056	-	-	-	8,056
Operating Transfers In (Out)	<u>(10,223)</u>	<u>-</u>	<u>(179,675)</u>	<u>32,953</u>	<u>(156,945)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>(2,167)</u>	<u>-</u>	<u>(179,675)</u>	<u>32,953</u>	<u>(148,889)</u>
<u>NET CHANGES IN FUND BALANCES</u>	<u>(66,312)</u>	<u>1,073</u>	<u>(17,466)</u>	<u>4,969</u>	<u>(77,736)</u>
<u>FUND BALANCES – Beginning</u>	<u>484,318</u>	<u>99,849</u>	<u>95,206</u>	<u>56,630</u>	<u>736,003</u>
<u>FUND BALANCES – Ending</u>	<u>418,006</u>	<u>100,922</u>	<u>77,740</u>	<u>61,599</u>	<u>658,267</u>

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

CITY OF LAS ANIMAS, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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

Net Change in Fund Balances – Total Governmental Funds (77,736)

Revolving loan revenues that do not provide current financial resources are not reported on the governmental fund financial statements but recognized on the government-wide financial statements. 15

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay and depreciation in the current period.

	61,379	
Capital outlays more than \$2,000		
Depreciation expense	(162,925)	(101,546)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issuance cost and premiums are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

	(8,056)	
Lease Purchase Proceeds		
Lease principal payments	4,000	
Interest expense	_____	(4,056)

Compensated absences are reported as an expense in the statement of activities. However, governmental funds do not report compensated absences as an expenditure until they are paid. (1,279)

Payment for pension benefits are recorded as an expenditure in the governmental funds but are recorded as expenses on an accrual basis in the entity-wide statements based on the changes in the net pension asset/liability. (34,939)

Change in Net Position of Governmental Activities (219,541)

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business Type Activities – Enterprise Funds				Total
	Light & Power Fund	Water Fund	Sewer Fund	Sanitation Fund	
<u>ASSETS</u>					
<u>Current Assets</u>					
Cash and Cash Equivalents	2,229,101	525,381	344,177	188,635	3,287,294
Receivables:					
Accounts (Net of Allowance for Uncollectibles)	342,026	63,368	49,659	44,341	499,394
Notes	-	5,705	860	-	6,565
Interest	-	-	-	-	-
Inventories	176,585	36,506	17,912	-	231,003
Prepaid Expense	40,034	-	-	-	40,034
Due From Other Funds	-	13,000	13,500	208	26,708
<u>Total Current Assets</u>	<u>2,787,746</u>	<u>643,960</u>	<u>426,108</u>	<u>233,184</u>	<u>4,090,998</u>
<u>Property, Plant and Equipment</u>					
Land and Water Rights	17,055	130,911	2,150	20,705	170,821
Buildings & Improvements	389,046	3,317,757	8,292	-	3,715,095
Utility System	2,881,122	6,564,986	6,417,653	243,706	16,107,467
Equipment	<u>2,506,157</u>	<u>197,903</u>	<u>82,355</u>	<u>1,025,450</u>	<u>3,811,865</u>
	5,793,380	10,211,557	6,510,450	1,289,861	23,805,248
Less Accumulated Depreciation	(4,428,507)	(4,891,201)	(2,890,597)	(749,915)	(12,960,220)
<u>Net Property, Plant & Equipment</u>	<u>1,364,873</u>	<u>5,320,356</u>	<u>3,619,853</u>	<u>539,946</u>	<u>10,845,028</u>
<u>TOTAL ASSETS</u>	<u>4,152,619</u>	<u>5,964,316</u>	<u>4,045,961</u>	<u>773,130</u>	<u>14,936,026</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Contributions Subsequent to Pension Measurement Date	65,696	28,050	15,898	7,589	117,233
Deferred Pension Cost Plan	<u>177,047</u>	<u>72,979</u>	<u>37,341</u>	<u>27,378</u>	<u>314,745</u>
<u>Total Deferred Outflow of Resources</u>	<u>242,743</u>	<u>101,029</u>	<u>53,239</u>	<u>34,967</u>	<u>431,978</u>

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

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business Type Activities – Enterprise Funds				Totals
	Light & Power Fund	Water Fund	Sewer Fund	Sanitation Fund	
<u>LIABILITIES</u>					
<u>Current Liabilities</u>					
Accounts Payable	287,444	62,980	28,071	11,884	390,379
Accrued Interest Payable	583	3,363	1,270	-	5,216
Due To Other Funds	3,072	201	743	3,258	7,274
Debt Payable - Current	-	53,267	116,801	-	170,068
<u>Total Current Liabilities</u>	<u>291,099</u>	<u>119,811</u>	<u>146,885</u>	<u>15,142</u>	<u>572,937</u>
<u>Noncurrent Liabilities</u>					
Accrued Vacation Payable	60,819	29,163	20,613	11,267	121,862
Meter Deposits Payable	24,012	18,070	5,432	3,419	50,933
Debt Payable – Noncurrent	-	1,349,500	620,771	-	1,970,271
Net Pension Liability	871,703	371,039	208,540	103,732	1,555,014
Landfill Postclosure Payable	-	-	-	120,666	120,666
<u>Total Long-Term Liabilities</u>	<u>956,534</u>	<u>1,767,772</u>	<u>855,356</u>	<u>239,084</u>	<u>3,818,746</u>
<u>TOTAL LIABILITIES</u>	<u>1,247,633</u>	<u>1,887,583</u>	<u>1,002,241</u>	<u>254,226</u>	<u>4,391,683</u>
<u>DEFERRED INFLOW OF RESOURCES</u>					
Deferred Pension Plan	16,308	6,667	3,325	2,665	28,965
Total Deferred Inflow of Resources	<u>16,308</u>	<u>6,667</u>	<u>3,325</u>	<u>2,665</u>	<u>28,965</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	1,364,873	3,917,589	2,882,281	539,946	8,704,689
Restricted for Debt Services	-	62,239	-	-	62,239
Restricted for Asset Retirement	46,368	-	-	-	46,368
Unrestricted	1,720,180	191,267	211,353	11,260	2,134,060
<u>TOTAL NET POSITION</u>	<u>3,131,421</u>	<u>4,171,095</u>	<u>3,093,634</u>	<u>551,206</u>	<u>10,947,356</u>

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

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2016

	Business Type Activities – Enterprise Funds				Totals
	Light & Power Fund	Water Fund	Sewer Fund	Sanitation Fund	
<u>Operating Revenues</u>					
Charges for Services	4,082,871	721,316	467,384	520,855	5,792,426
Other	72,535	27,986	6,141	10,359	117,021
<u>Total Operating Revenues</u>	<u>4,155,406</u>	<u>749,302</u>	<u>473,525</u>	<u>531,214</u>	<u>5,909,447</u>
<u>Operating Expenses</u>					
Personal Services	682,602	282,299	144,800	109,738	1,219,439
Purchased Services	2,975,998	46,694	43,494	260,148	3,326,334
Supplies and Materials	154,209	70,652	7,554	-	232,415
Power & Utilities	-	128,588	70,973	-	199,561
Maintenance and Repair	84,914	56,360	36,279	81,121	258,674
Depreciation	129,289	232,035	183,974	65,487	610,785
Bad Debts	10,754	4,109	3,286	2,458	20,607
Landfill Post Closure Costs	-	-	-	4,922	4,922
Pension Amortization Expense	32,416	13,252	6,607	5,302	57,577
Other	46,447	8,968	8,697	19,375	83,487
<u>Total Operating Expenses</u>	<u>4,116,629</u>	<u>842,957</u>	<u>505,664</u>	<u>548,551</u>	<u>6,013,801</u>
<u>Operating Income (Loss)</u>	<u>38,777</u>	<u>(93,655)</u>	<u>(32,139)</u>	<u>(17,337)</u>	<u>(104,354)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Capital Grant	-	14,400	-	-	14,400
Interest Revenue	10,120	2,386	902	519	13,927
Other Revenue	-	22,514	5,036	-	27,550
Interest Expense	-	(37,260)	(8,913)	(178)	(46,351)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>10,120</u>	<u>2,040</u>	<u>(2,975)</u>	<u>341</u>	<u>9,526</u>
<u>Income (Loss) Before Operating Transfers</u>	<u>48,897</u>	<u>(91,615)</u>	<u>(35,114)</u>	<u>(16,996)</u>	<u>(94,828)</u>
<u>Operating Transfers In (Out)(Net)</u>	<u>-</u>	<u>108,522</u>	<u>35,923</u>	<u>12,500</u>	<u>156,945</u>
<u>Change in Net Position</u>	<u>48,897</u>	<u>16,907</u>	<u>809</u>	<u>(4,496)</u>	<u>62,117</u>
<u>Total Net Position, Beginning</u>	<u>3,082,524</u>	<u>4,154,188</u>	<u>3,092,825</u>	<u>555,702</u>	<u>10,885,239</u>
<u>Total Net Position, Ending</u>	<u>3,131,421</u>	<u>4,171,095</u>	<u>3,093,634</u>	<u>551,206</u>	<u>10,947,356</u>

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

CITY OF LAS ANIMAS, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2016

	Business Type Activities – Enterprise Funds				Totals
	Power & Light Fund	Water Fund	Sewer Fund	Sanitation Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers & Users	4,155,080	749,970	469,916	537,477	5,912,443
Payments to Employees & Benefit Providers	(682,602)	(282,299)	(144,800)	(109,738)	(1,219,439)
Payments to Vendors – Supplies and Services	(3,209,574)	(277,821)	(152,027)	(370,424)	(4,009,846)
Net Cash Provided (Used) By Operations Activities	<u>262,904</u>	<u>189,850</u>	<u>173,089</u>	<u>57,315</u>	<u>683,158</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Customer Deposits	3,882	902	264	191	5,239
Interfund	-	(6,799)	(4,757)	(208)	(11,764)
Transfers – Other Funds	-	108,522	35,923	12,500	156,945
Other Revenue	-	22,514	5,036	-	27,550
Net Cash Provided (Used) – Non Capital Financing	<u>3,882</u>	<u>125,139</u>	<u>36,466</u>	<u>12,483</u>	<u>177,970</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Non-Financed Purchase of Property & Equipment	(171,378)	(207,317)	(67,524)	(32,500)	(478,719)
Proceeds from Sale of Assets	-	-	-	-	-
Capital Grants	-	14,400	-	-	14,400
Interest Paid on Debt	-	(37,373)	(9,459)	(178)	(47,010)
Principal Paid on Debt	-	(52,066)	(113,502)	(19,155)	(184,723)
Net Cash Provided (Used) Capital & Related Financing	<u>(171,378)</u>	<u>(282,356)</u>	<u>(190,485)</u>	<u>(51,833)</u>	<u>(696,052)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Investments (Purchased)	-	-	-	-	-
Investments (Matured)	-	-	-	-	-
Interest Received	10,120	2,386	902	519	13,927
Net Cash Provided (Used) - Investing Activities	<u>10,120</u>	<u>2,386</u>	<u>902</u>	<u>519</u>	<u>13,927</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	105,528	35,019	19,972	18,484	179,003
CASH AND CASH EQUIVALENTS – Beginning	<u>2,123,573</u>	<u>490,362</u>	<u>324,205</u>	<u>170,151</u>	<u>3,108,291</u>
CASH AND CASH EQUIVALENTS – Ending	<u>2,229,101</u>	<u>525,381</u>	<u>344,177</u>	<u>188,635</u>	<u>3,287,294</u>
<u>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Operating Income (Loss)	38,777	(93,655)	(32,139)	(17,337)	(104,354)
Non Cash Items in Operations:					
Depreciation Expense	129,289	232,035	183,974	65,487	610,785
Pension Expense	32,416	13,252	6,607	5,302	57,577
(Increase) Decrease in Inventory	17,520	8,857	3,572	-	29,949
(Increase) Decrease Receivables/Accruals	(326)	668	(3,609)	6,263	2,996
Increase (Decrease) in Payables/Accruals	45,228	28,693	14,684	(2,400)	86,205
Net Cash Provided (Used) By Operations	<u>262,904</u>	<u>189,850</u>	<u>173,089</u>	<u>57,315</u>	<u>683,158</u>
<u>NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u>					
Cash Paid for Income Tax	-	-	-	-	-
Cash Paid for Interest Expense	-	37,373	9,459	178	47,010
Property Acquired by Debt	-	-	-	-	-
Total NonCash Investing Capital & Financing Activities	<u>-</u>	<u>37,373</u>	<u>9,459</u>	<u>178</u>	<u>47,010</u>

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

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Las Animas was incorporated under the provisions of the State of Colorado, Council Bill No. 98. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This City is not included in any other governmental "reporting entity" as defined in GASB No. 14 and includes the component unit "Las Animas Municipal Light & Power Company" as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the City (the primary government) and its component units.

- Related Organizations

The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council and Mayor appoint board members of the Las Animas Urban Renewal Authority and the Las Animas Housing Authority. In 2016 the City did not appropriate operating grants to the Urban Renewal Authority and the Housing Authority.

- Blended Component Unit

Blended component units. The Las Animas Municipal Light and Power Company is reported as an enterprise fund and is included as a blended component unit because the City has operational responsibility for it.

The Company was created as part of the Charter of the City of Las Animas, Colorado (the City) with a nonpolitical power board of five members who have complete charge and control of the Company and such other electric public utilities as may be acquired by the City. Four of the five members of the power board are elected members with the fifth member being the mayor of the City. The power board has the ability to fix the rates subject to approval by the City Council Resolution.

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* includes the City's *component units* for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or 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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- Infrastructure and Improvement – Capital Projects Fund – It accounts for specific revenues that are legally restricted to expenditure for capital purposes.
- 1% Street Improvement – Special Revenue Fund. It accounts for proceeds of specific revenue sources that are legally restricted to expenditures for street improvement.

The City reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the City's sewage disposal and treatment system.

The *water fund* accounts for the activities of City's water distribution and treatment system.

The *sanitation fund* accounts for the activities of the City's trash disposal services.

The *power and light fund* accounts for the activities of the City's electric generation and distribution system.

Additionally, the government reports the following fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than special assessment, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

The *capital projects fund* is used to account for specific revenues that are legally restricted to expenditure for capital purposes.

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds 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 nonoperating revenues and expenses.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	7-30
Streets and Improvements	20
Vehicles	7
Equipment	7-20

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The City has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Approved Revisions were made in 2016.
5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for Enterprise Funds are on a non GAAP basis.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded is not used by the City of Las Animas.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

H. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has been reflected in the financial statements of the Proprietary Funds and in the statement of net position for all governmental fund types.

I. Property Taxes

Property taxes represent ad valorem taxes levied by the City, which are payable to the County Treasurer, and are recognized as revenue by the City in the year for which they are levied.

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes (Continued)

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

J. Contraband

There were no contraband proceeds for the year ended December 31, 2016.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

L. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

M. Due To / From Funds

Outstanding balances between funds created by lending/borrowing or cash allocation in common purchasing activities are reported as due to/from funds.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as charges when incurred.

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. GASB Statement No. 54

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

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

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

CITY OF LAS ANIMAS, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. GASB Statement No. 54 (Continued)

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The City's Committed Fund Balance is fund balance reporting required by the City Council, either because of a City Council Policy in the City Council Policy Manual, or because of motions that passed at City Council meetings.

Assigned Fund Balance Policy:

The City's Assigned Fund Balance is fund balance reporting occurring by City Council Administration authority, under the direction of the City Clerk.

Order of Fund Balance Spending Policy

The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	General Fund	Safe Route to School Fund	Conservation Trust Fund	Parks and Recreation Fund	1% Street Improvement Fund	Sales Tax Development Fund	Infrastructure and Improvement Fund	Total Governmental Funds
<u>Nonspendable:</u>								
Prepaid Expenses	-	-	-	-	-	-	-	-
<u>Restricted:</u>								
Emergencies	38,900	-	-	-	-	-	-	38,900
Parks & Recreation	-	-	15,703	-	-	-	-	15,703
Capital Improvement	-	3	-	-	100,922	-	77,740	178,665
Econ. Development	-	-	-	-	-	42,889	-	42,889
<u>Committed:</u>								
Parks & Recreation	-	-	-	-	-	-	-	-
<u>Assigned:</u>								
Revolving Loan	147,066	-	-	-	-	-	-	147,066
Parks & Recreation	-	-	-	3,004	-	-	-	3,004
<u>Unassigned</u>	<u>232,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,040</u>
<u>Total Fund Balances</u>	<u>418,006</u>	<u>3</u>	<u>15,703</u>	<u>3,004</u>	<u>100,922</u>	<u>42,889</u>	<u>77,740</u>	<u>658,267</u>

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Deferred Outflows / Inflows of Resources

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

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

NOTE 2 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	239,598	-	-	239,598
Capital Assets Being Depreciated:				
Buildings & Improvements	1,101,963	-	-	1,101,963
Vehicles	192,943	-	-	192,943
Equipment	624,060	8,056	-	632,116
Infrastructure	1,610,641	53,323	-	1,663,964
Total Capital Assets Being Depreciated	<u>3,529,607</u>	<u>61,379</u>	-	<u>3,590,986</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	513,330	68,367	-	581,697
Vehicles	188,743	2,100	-	190,843
Equipment	603,520	9,261	-	612,781
Infrastructure	561,320	83,197	-	644,517
Total Accumulated Depreciation	<u>1,866,913</u>	<u>162,925</u>	-	<u>2,029,838</u>
Total Capital Assets Being Depreciated, Net	<u>1,662,694</u>	<u>(101,546)</u>	-	<u>1,561,148</u>
<u>Governmental Activities</u>				
Capital Assets, Net	<u>1,902,292</u>	<u>(101,546)</u>	-	<u>1,800,746</u>

CITY OF LAS ANIMAS, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land, Equity, Water Rights	170,821	-	-	170,821
Construction In Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>170,821</u>	<u>-</u>	<u>-</u>	<u>170,821</u>
Capital Assets Being Depreciated:				
Buildings & Systems	19,537,206	285,356	-	19,822,562
Equipment	<u>3,677,146</u>	<u>193,363</u>	<u>58,644</u>	<u>3,811,865</u>
Total Capital Assets Being Depreciated	<u>23,214,352</u>	<u>478,719</u>	<u>58,644</u>	<u>23,634,427</u>
Less Accumulated Depreciation	<u>12,408,079</u>	<u>610,785</u>	<u>58,644</u>	<u>12,960,220</u>
<u>Business-Type Activities</u>				
Capital Assets, Net	<u>10,977,094</u>	<u>(132,066)</u>	<u>-</u>	<u>10,845,028</u>

Beginning in 2004, general infrastructure assets are recorded prospectively in these financial statements, at cost. Retroactive reporting of general infrastructure assets is not required by standards for the City (Phase 3 entity).

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

Governmental Activities:

General Government	1,840
Public Safety	200
Public Works	93,022
Culture and Recreation	<u>67,863</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>162,925</u>

Business-Type Activities:

Water	232,035
Sewer	183,974
Sanitation	65,487
Power and Light	<u>129,289</u>
<u>Total Depreciation Expense – Business Type Activities</u>	<u>610,785</u>

