

**CITY OF RIFLE
RIFLE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

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



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CITY OF RIFLE, COLORADO

ROSTER OF CITY OFFICIALS

DECEMBER 31, 2016

CITY COUNCIL

Randy Winkler – Mayor

Barbara Clifton – Mayor Pro Tem

Theresa Hamilton – Councilor

Ed Green – Councilor

Annick Pruett – Councilor

Dana Wood – Councilor

Joe Elliott – Councilor

ADMINISTRATION

Matt Sturgeon – City Manager

Marcia Arnhold – Finance Director

City of Rifle, Colorado

Management's Discussion and Analysis December 31, 2016

As management of the City of Rifle, Colorado, we offer readers of the City of Rifle financial statements, this narrative overview, and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

Financial Highlights

- The assets of the City of Rifle exceeded its liabilities at the close of 2016 by \$131,813,824 (net position). Of this amount; \$142,837,927 is capital assets, \$3,197,316 is restricted, and \$30,673,460 is unrestricted and may be used to meet the government's ongoing obligations.
- Total net position, city-wide, increased by \$3,673,745 or 2.8%.
- As of December 31, 2016, combined governmental fund balances totaled \$20,612,597, a decrease of \$770,175 from the prior year.
- General fund unassigned fund balance at December 31, 2016 is \$2,747,546, 34% of 2016 total general fund expenditures.
- The business-type activities net position increased \$4,426,980 to \$54,784,479 during the year. The Water Fund increased \$4,560,893; Sewer Fund decreased \$129,495; and the Sanitation Fund decreased \$4,418.

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

The *Statement of Positions* and the *Statement of Activities* report City activities in two categories - *governmental activities* and *business-type activities*.

Governmental activities are most of the City's basic services including general administration, police, property inspection, public works, cemetery, parks maintenance and recreation, senior services, downtown development, visitor improvement, and urban renewal. Taxes and intergovernmental revenues principally support these services.

Business-type activities include the City's water, wastewater (sewer) and sanitation (trash) services. Customer service fees are expected to cover all or most of the cost of services provided support these activities.

The government-wide financial statements can be found on pages 3-4 of this report.

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

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

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

The City of Rifle maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds which include the General Fund, Street Improvement Fund, and the Parks and Recreation Fund. Data from the other (non-major) funds are combined into a single, aggregated presentation with the column heading Other Governmental Funds. The non-major funds are Conservation Trust, Economic Development, Visitor Improvement, Downtown Development Authority, Rifle Information Center, Urban Renewal Authority, and Capital Fund.

The City of Rifle adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with the state budget statutes.

The basic governmental financial statements for the major funds are found on pages 5-11 of this report. The basic governmental financial statements for the non-major funds are found on pages 37-45.

Proprietary funds – The City of Rifle maintains two different types of proprietary funds; Enterprise and Internal Service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and sanitation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Rifle uses two internal service funds to account for its fleet maintenance and information technology operations. Because most of these services predominantly benefit the governmental rather than the business-type functions, and are included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the proprietary funds. However, only the water and sewer funds are considered major funds.

The basic proprietary fund financial statements can be found on pages 12-14 of this report. The schedule of revenues, expenditures, and changes in net position – budget and actual reports are shown on pages 46-53.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of outside parties. The City's only fiduciary fund is the Cemetery Perpetual Care Fund. The fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support City operations.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-36 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City Of Rifle. This information is presented in the State Compliance section on pages 56-57.

Government-wide Financial Analysis

As noted earlier, the City of Rifle's net position may serve over time as a useful indicator of the City's financial position. The City of Rifle's assets exceeded its liabilities (net position) at the close of 2016 by \$131,813,824

The largest portion of the City's net position (78%) is the investment in capital assets (e.g. land, buildings, infrastructure, and equipment); less any related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens, and consequently are not

available for future spending. Although the City's investment in its capital assets is reported net of related debt, the related resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

The following table shows the City's net position for 2016 as compared to 2015.

STATEMENT OF NET POSITION December 31, 2016 and 2015

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 22,733,819	22,982,559	\$ 12,122,016	\$ 27,523,393	\$ 34,855,835	\$ 50,505,952
Capital assets (net)	57,255,488	57,987,302	85,592,439	67,035,586	142,847,927	125,022,888
Total assets	<u>79,989,307</u>	<u>80,969,861</u>	<u>97,714,455</u>	<u>94,558,979</u>	<u>177,703,762</u>	<u>175,528,840</u>
Deferred Outflows:						
Deferred Charge on Refunding	14,406	14,406	-	-	14,406	14,406
Other liabilities	1,731,843	1,290,966	5,028,030	4,041,117	6,759,873	5,332,083
Long-term liabilities	632,555	1,208,582	37,832,049	40,090,466	38,464,604	41,299,048
Total liabilities	<u>2,364,398</u>	<u>2,499,548</u>	<u>42,860,079</u>	<u>44,131,583</u>	<u>45,224,477</u>	<u>46,631,131</u>
Deferred Inflows:						
Unavailable Revenue - Property Taxes	609,970	616,761	69,897	69,897	679,867	686,658
Net position:						
Invested in capital assets net of related debt	52,371,818	52,545,958	45,571,230	35,439,236	97,943,048	87,985,194
Restricted:						
for Cemetery Perpetual Care	225,879	224,028	-	-	225,879	224,028
for Debt Service and O&M Reserves	22,661	22,661	2,082,760	1,764,454	2,105,421	1,787,115
for Emergencies	370,000	566,000	231,000	216,000	601,000	782,000
for Senior Center Meals and Capital	115,013	123,376	-	-	115,013	123,376
for Police Expenitures	2,472	4,160	-	-	2,472	4,160
for Parks and Recreation	147,531	250,815	-	-	147,531	250,815
Unrestricted	23,773,971	24,130,960	6,899,489	12,937,809	30,673,460	37,068,769
Total Net Position	<u>\$ 77,029,345</u>	<u>\$ 77,867,958</u>	<u>\$ 54,784,479</u>	<u>\$ 50,357,499</u>	<u>\$ 131,813,824</u>	<u>\$ 128,225,457</u>

An additional portion of the City's net position balance (2.4%) represents resources that are subject to external restrictions on how they may be used. The remaining *unrestricted* balance of (20.0%) may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted net position is the portion of net position legally restricted less any non-capital-related liabilities payable from those resources. As of December 31, 2016, restricted net position in the governmental activities included the following: Cemetery Perpetual Care (\$225,879), Channel 10 (\$22,661), TABOR Emergencies (\$370,000), Senior Center Meals and Capital (\$115,013), Police (\$2,472), and Parks and Recreation (\$147,531). The Business-Type Activities includes restricted net position of the following: Debt Service and O&M reserves (\$2,082,760), and TABOR Emergencies (\$231,000). The remaining balance of net position (unrestricted net position) totals \$30,673,460. These assets may be used to meet the City's ongoing obligations to citizens and creditors.

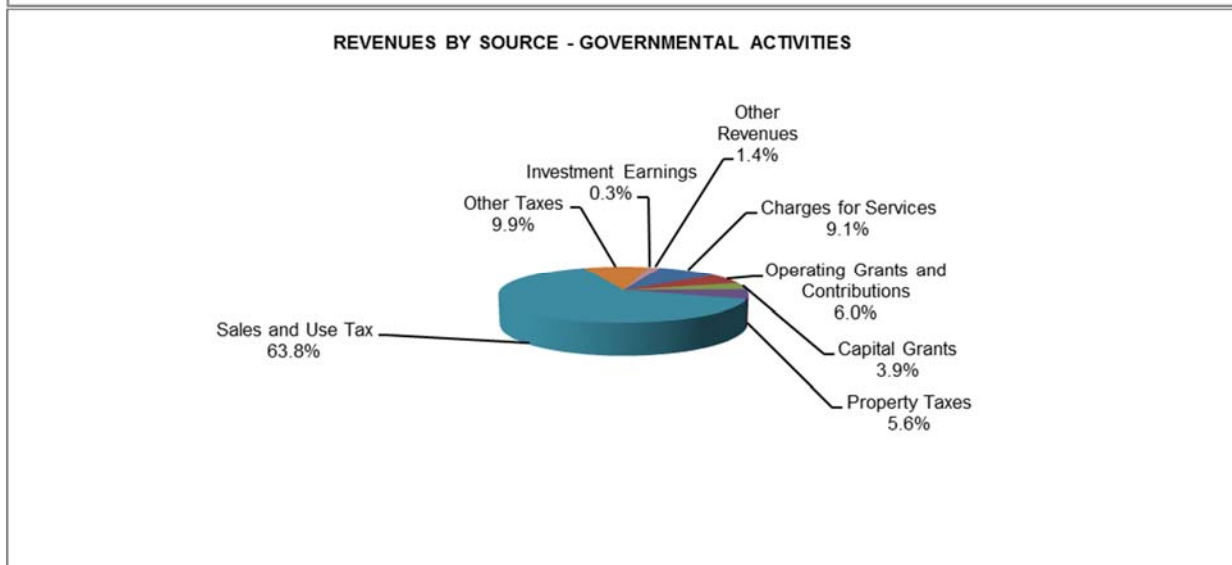
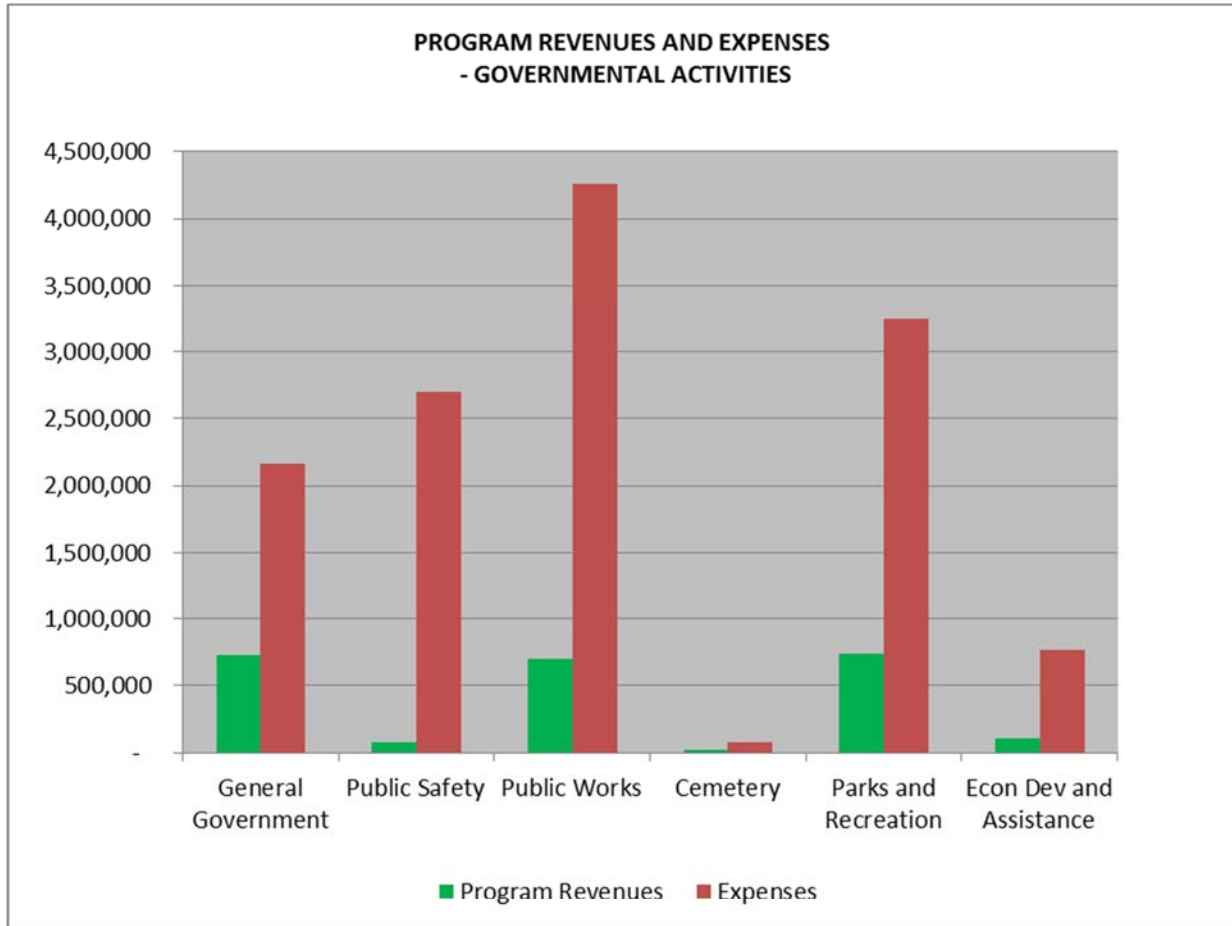
Changes in Net Position

The following shows the detail of the City's changes in net position for the year ended December 31, 2016.

	SUMMARY OF CHANGES IN NET POSITION					
	For Years Ended December 31, 2016 and 2015					
	Governmental Activities		Business Type Activivies		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for services	\$ 1,128,162	\$ 1,047,628	\$ 6,895,747	\$ 6,419,741	\$ 8,023,909	\$ 7,467,369
Operating grants and contributions	746,860	826,736	-	-	746,860	826,736
Capital grants and contributions	483,858	6,474,303	2,549,136	2,587,589	3,032,994	9,061,892
General Revenues:						
Property taxes	695,089	633,479	-	-	695,089	633,479
Sales and use taxes	7,906,687	7,440,916	1,657,703	1,551,797	9,564,390	8,992,713
Other taxes	1,222,247	2,374,726	-	-	1,222,247	2,374,726
Investment earnings	35,410	12,019	20,193	8,843	55,603	20,862
Other revenues	174,815	58,780	92	128,987	174,907	187,767
Total revenues	<u>12,393,128</u>	<u>18,868,587</u>	<u>11,122,871</u>	<u>10,696,957</u>	<u>23,515,999</u>	<u>29,565,544</u>
EXPENSES						
General government	2,163,988	2,874,402	-	-	2,163,988	2,874,402
Public Safety	2,697,669	2,781,546	-	-	2,697,669	2,781,546
Public Works	4,262,832	3,408,012	-	-	4,262,832	3,408,012
Cemetery	75,866	79,867	-	-	75,866	79,867
Parks and recreation	3,248,304	2,759,404	-	-	3,248,304	2,759,404
Economic development and assistance	763,404	920,783	-	-	763,404	920,783
Water operations	-	-	3,093,840	3,280,943	3,093,840	3,280,943
Sewer operations	-	-	2,993,943	2,997,032	2,993,943	2,997,032
Sanitation operations	-	-	542,408	480,124	542,408	480,124
Total expenses	<u>13,212,063</u>	<u>12,824,014</u>	<u>6,630,191</u>	<u>6,758,099</u>	<u>19,842,254</u>	<u>19,582,113</u>
Increase in net assets before transfers	(818,935)	6,044,483	4,492,680	3,938,858	3,673,745	9,983,431
Transfers	65,700	65,604	(65,700)	(65,604)	-	-
Increase in net assets	(753,235)	6,110,087	4,426,980	3,873,254	3,673,745	9,983,431
Net Position, Beginning of year	77,867,957	71,757,871	50,357,499	46,484,245	128,225,456	118,242,116
Prior Period Restatement	(85,377)	-	-	-	(85,377)	-
Net Position, end of year	<u>\$ 77,029,345</u>	<u>\$ 77,867,958</u>	<u>\$ 54,784,479</u>	<u>\$ 50,357,499</u>	<u>\$ 131,813,824</u>	<u>\$ 128,225,547</u>

The following charts compare Expenses and Program Revenues, and reflect Revenues by Source. The column graph indicates program expenses exceed program revenues. The pie chart shows the break-down of revenue sources. The primary revenue sources for 2016 are Sales and Use Tax at 63.80% and Other Taxes at 9.86%. These, along with the other revenue sources listed, support governmental services.

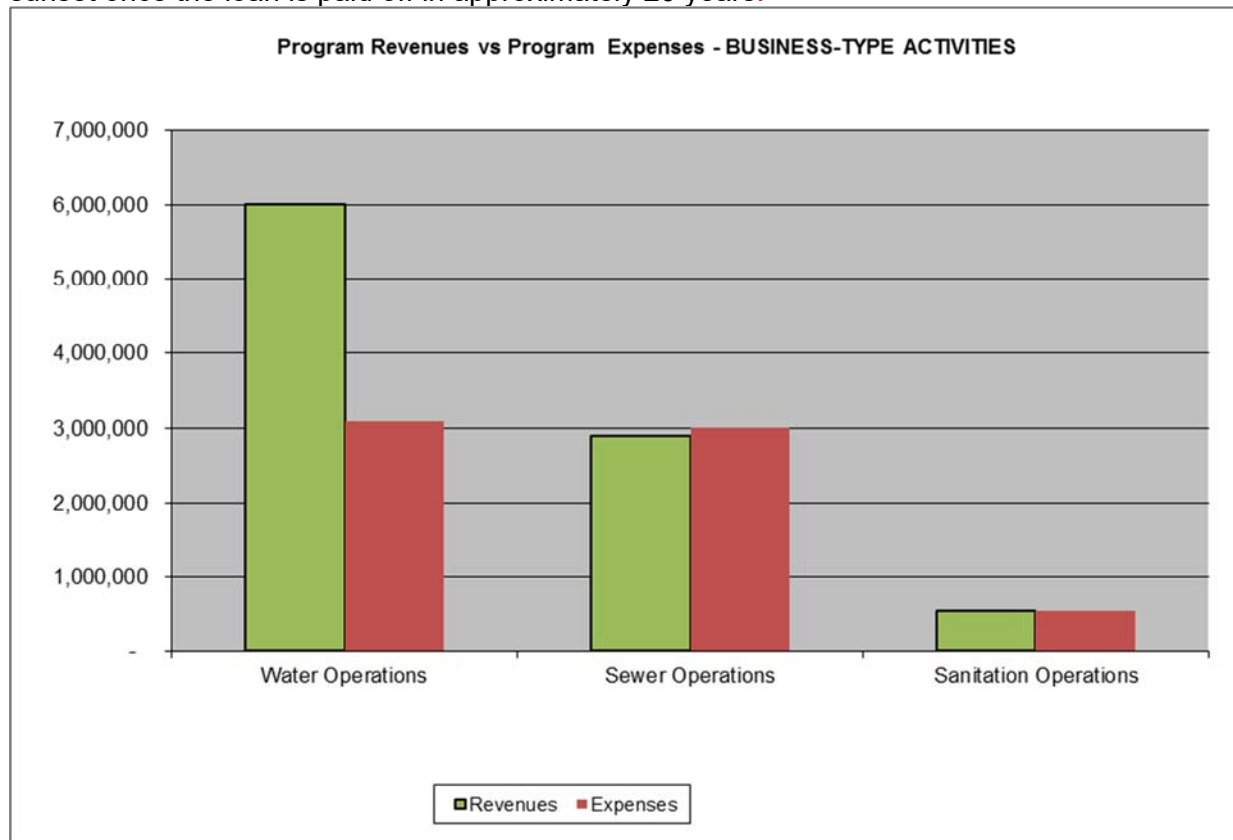
Governmental Activities



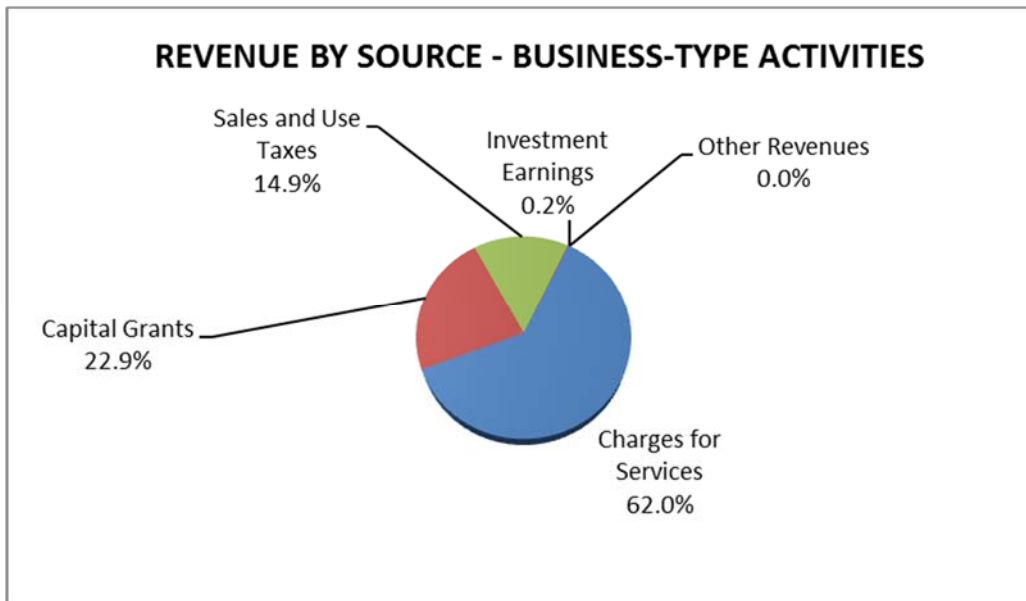
Business-Type Activities

As illustrated below and in the Statement of Activities, charges for services, operating grants and contributions, and capital grants received for the services provided covered program expenses in the Water funds. However, the Sewer and Sanitation funds have slightly more expenses than revenue.

The Water Fund is supporting a new treatment plant for the City and construction continues. In September 2012, taxpayers approved a .75% sales and use taxes to assist with funding the Water Treatment Plant annual debt service. The tax became effective on January 1, 2013. This tax will sunset once the loan is paid off in approximately 20 years.



As reflected in the pie chart below, 62% of collected revenues are from charges for services. During 2016, Sales and Use Taxes collected was approximately 14.9% of the total water fund's revenues. Capital Grants were 22.9%.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Rifle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

One of the differences between the governmental activities as reported in the government-wide *Statement of Activities* and the individual governmental fund financial statements is the reporting of capital asset acquisitions. For the government-wide financial statements, any new assets are capitalized and only depreciation expense for those assets is reported in the *Statement of Activities*. In the individual governmental fund financial statements, the expenditure for the capital asset acquisitions is reported in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. Therefore, governmental fund capital outlay expenditures of \$2,322,641 acquired in 2016 (page 7) are not reflected in the *Statement of Activities*.

At year-end 2016, governmental funds as reported on the *Balance Sheet – Governmental Funds* (page 5) reported a combined fund balance of \$20,612,597, a decrease of \$770,175 from the prior year. The General Fund balance decreased \$2,506,630 or 30%. The Street Improvement Fund balance decreased \$786,466 or 9%. The Parks and Recreation Fund balance increased \$230,892 or 22%.

The General Fund unassigned fund balance at December 31, 2016 was \$2,747,546 or 34% of annual expenditures. Unassigned fund balance decreased \$1,560,514 with expenditures exceeding revenues by \$426,452.

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Proprietary Funds include the Water, Wastewater (Sewer), and Sanitation (Trash) Funds.

The Proprietary Fund Net Position increased \$4,426,980 to \$54,784,479. Investment in capital assets, net of related debt represents 92% of total net position.

ENTERPRISE FUND NET POSITION
December 31, 2016 and 2015

	Water		Wastewater		Sanitation		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Investment in capital assets net of related debt	\$ 28,368,625	\$ 18,039,965	\$ 17,202,605	\$ 17,399,271	\$ -	\$ -	\$ 45,571,230	35,439,236
Restricted:								
For Emergencies	231,000	216,000	-	-	-	-	231,000	216,000
For Debt Service from Sales Tax	1,098,954	886,139	-	-	-	-	1,098,954	886,139
For Operations and Maintenance Reserve	541,777	501,789	442,029	376,526	-	-	983,806	878,315
Unrestricted	5,808,148	11,843,718	270,085	268,417	821,256	825,674	6,899,489	12,937,809
Total net position	\$ 36,048,504	\$ 31,487,611	\$ 17,914,719	\$ 18,044,214	\$ 821,256	\$ 825,674	\$ 54,784,479	\$ 50,357,499

In the Wastewater Fund, a new treatment plant was completed in 2009. The plant was funded via Colorado Water Resources and Power Development Authority. On January 1, 2014, wastewater user fees were increased 5% to assist with meeting the debt covenants.

A replacement Water Treatment plant is under construction with \$23.8 million obtained from the Colorado Water Resources and Power Development Authority. Water user fees and voter-approved .75% sales and use tax are used to pay-back the loan.

Unrestricted net position is reserves for the operation and maintenance component of all the proprietary funds. Both the Water Fund and Sewer Fund increase user fees annually to meet increasing costs of operation and to replace decaying infrastructure, which includes collection and distribution lines.

In 2016, the Water fund increased Net Position by \$4,560,893, while the Wastewater and Sanitation funds incurred a net loss of \$129,495 and \$4,418 respectively.

Total unrestricted net position decreased \$6,038,320 during 2016. The Water Fund’s unrestricted net position decreased by \$6,035,570; Wastewater Fund increased \$1,668; and the Sanitation Fund decreased \$4,418.

General Fund Budgetary Highlights

The General Fund reflects a decrease in revenues of \$682,290 or 8% from 2015 yet exceeded budget by \$200,569. Expenditures were under budget by \$503,690 or 5%. Management and City Council continue to budget conservatively to ensure the City has the flexibility to address community needs.

Capital Asset and Debt Administration

Capital assets – At the end of 2016, the City had \$142,837,927 invested in capital assets net of depreciation. Investment in capital assets includes land, buildings, improvements, machinery and

equipment, park facilities, roads, bridges, and trails. Total investment in capital assets for the current year increased 11%. This increase would be mainly due to the new water treatment plant.

CAPITAL ASSETS AT YEAR-END						
(Net of Depreciation)						
As of December 31, 2016 and 2015						
	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land & Rights	\$ 3,979,905	\$ 3,969,755	\$ 2,636,896	\$ 2,587,307	\$ 6,616,801	\$ 6,557,062
Construction in Process	0	0	30,614,559	13,003,724	30,614,559	13,003,724
Buildings	10,994,118	11,360,448	24,987,861	26,152,543	35,981,979	37,512,991
Improvements	40,112,202	41,147,581	26,840,197	24,708,800	66,952,399	65,856,381
Equipment	1,423,471	789,727	502,925	583,212	1,926,396	1,372,939
Int Svc Equipment & Vehicles	745,793	719,792	-	-	745,793	719,792
Total	\$ 57,255,489	\$ 57,987,303	\$ 85,582,438	\$ 67,035,586	\$ 142,837,927	\$ 125,022,889

Debt administration – At the end of 2016, the City of Rifle had a balance of \$41,228,874 outstanding in revenue bonds; revenue notes payable, notes payable and capital leases. Footnote disclosure number 5 on page 28 provides additional information regarding this advance refunding. The City has no general obligation debt.

OUTSTANDING DEBT						
Years Ended December 31, 2016 and 2015						
	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds and notes payable	\$ 596,993	\$ 885,196	\$40,021,207	\$42,148,914	\$ 40,618,200	\$ 43,034,110
Capital leases	610,674	898,498	-	102,249	610,674	1,000,747
Total	\$ 1,207,667	\$ 1,783,694	\$40,021,207	\$42,251,163	\$ 41,228,874	\$ 44,034,857

Certificates of Participation - In 2015, the City issued \$5,085,000 in certificates of participation for a water tank construction project with lease payments continuing until 2035.

Economic Factors and the 2017 Budget

While 2016 saw an increase of 6% in the general fund in sales and use tax revenues, a conservative approach was taken in the preparation of the 2017 Budget. There are many unknowns impacting the local economy that make it difficult to predict performance such as: available labor force for construction, the Grand Avenue Bridge Project in Glenwood Springs, and trends in the Oil and Gas sector. Rifle could benefit from the bridge project with people having less opportunity to spend disposable income in Glenwood Spring; however, the difficult in accessing the Roaring Fork Valley may impact down valley contractors.

The City is limiting its investment in new projects and focusing on its current facilities. The major expenditures will be on street infrastructure where the City will leverage grants with fund balance generated by the half-cent sales tax dedicated specifically to street improvements. Additionally, the City will continue to focus on water infrastructure replacement. With the completion of the water treatment plant, attention will be placed on transmission lines. This will be assisted by the infusion of grant funds from State and local granting agencies.

The City of Rifle, as a result of thoughtful leadership and prudent management, built up the reserves in its General Fund. While the economy continues to find some legs, the City of Rifle is positioned to continue to absorb sluggish economic growth. Management and City Council have become accustomed to being nimble and will make necessary changes as needed to the budget to make sure future services continue meeting public needs. The City has started transitioning some of these reserves into a Maintenance Department within the General Fund to provide on-going revenue for building and grounds maintenance. This will allow the City to stabilize expenditures on maintenance over time and discontinue the practice of deferred maintenance that has become customary since the oil shale bust in the early 1980s.

Request 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 and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance office at the City of Rifle, 202 Railroad Ave, Rifle, CO 81650.

FINANCIAL SECTION

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 Rifle
Rifle, 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 Rifle, 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 Rifle, Colorado, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison of the General, Street Improvement, and Parks and Recreation Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Rifle's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages i-xi 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 an opinion on the financial statements as a whole. The combining and budgetary comparison statements and schedules listed as other supplementary information pages 37-54 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017 on our consideration of the City of Rifle's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rifle's internal control over financial reporting and compliance.

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. The Supplemental Schedules Required Pursuant to Bond Agreements pages 55-56 and *Local Highway Finance Report* pages 57-58 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.



Englewood, Colorado
April 27, 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 RIFLE, COLORADO

STATEMENT OF NET POSITION

December 31, 2016

	Governmental Activities	Business - Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 20,013,702	\$ 11,307,800	\$ 31,321,502
Property Taxes Receivable	609,970	-	609,970
Other Receivable	2,005,921	625,956	2,631,877
Interest Receivable	13,823	-	13,823
Prepaid Expenses	-	1,496	1,496
Due from Other Governments	59,251	-	59,251
Inventory	31,152	186,764	217,916
TOTAL CURRENT ASSETS	22,733,819	12,122,016	34,855,835
NONCURRENT ASSETS			
Capital Assets Not Being Depreciated	3,979,905	33,251,455	37,231,360
Capital Assets Being Depreciated, net	53,275,583	52,330,984	105,606,567
Restricted Cash and Investments	-	10,000	10,000
TOTAL NONCURRENT ASSETS	57,255,488	85,592,439	142,847,927
TOTAL ASSETS	79,989,307	97,714,455	177,703,762
DEFERRED OUTFLOWS			
Deferred Charge on Refunding	14,406	-	14,406
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	633,019	2,335,172	2,968,191
Accrued Wages & Comp. Absences	450,791	88,530	539,321
Accrued Interest Payable	3,217	405,168	408,385
Deposits	69,704	10,000	79,704
Current Portion of Long Term Debt	575,112	2,189,160	2,764,272
TOTAL CURRENT LIABILITIES	1,731,843	5,028,030	6,759,873
NONCURRENT LIABILITIES			
Bonds Payable	300,000	-	300,000
Bond Premiums	8,790	-	8,790
Notes Payable	-	33,222,049	33,222,049
Certificates of Participation	-	4,610,000	4,610,000
Capital Leases Payable	323,765	-	323,765
TOTAL NONCURRENT LIABILITIES	632,555	37,832,049	38,464,604
TOTAL LIABILITIES	2,364,398	42,860,079	45,224,477
DEFERRED INFLOWS			
Deferred Revenue - Property Taxes	609,970	69,897	679,867
NET POSITION			
Net Investment in Capital Assets	52,371,818	45,571,230	97,943,048
Restricted:			
for Cemetery Perpetual Care - Nonspendable	225,879	-	225,879
for Channel 10	22,661	-	22,661
for Debt Service and O&M Reserves	-	2,082,760	2,082,760
for Emergencies	370,000	231,000	601,000
for Senior Center Meals and Capital	115,013	-	115,013
for Police Expenditures	2,472	-	2,472
for Parks and Recreation	147,531	-	147,531
Unrestricted	23,773,971	6,899,489	30,673,460
TOTAL NET POSITION	\$ 77,029,345	\$ 54,784,479	\$ 131,813,824

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

CITY OF RIFLE, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
FUNCTIONS/PROGRAMS				
Governmental Activities				
Current:				
General Government	\$ 2,163,988	\$ 597,596	\$ 123,319	\$ 5,473
Public Safety	2,697,669	30,347	46,122	-
Public Works	4,262,832	86,847	417,779	196,742
Cemetery	75,866	17,204	-	-
Parks and Recreation	3,248,304	294,527	157,950	281,643
Economic Development and Assistance	763,404	101,641	1,690	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>13,212,063</u>	<u>1,128,162</u>	<u>746,860</u>	<u>483,858</u>
Business - Type Activities				
Current:				
Water Operations	3,093,840	3,479,921	-	2,531,383
Sewer Operations	2,993,943	2,877,294	-	17,753
Sanitation Operations	542,408	538,532	-	-
TOTAL BUSINESS - TYPE ACTIVITIES	<u>6,630,191</u>	<u>6,895,747</u>	<u>-</u>	<u>2,549,136</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 19,842,254</u>	<u>\$ 8,023,909</u>	<u>\$ 746,860</u>	<u>\$ 3,032,994</u>
GENERAL REVENUES				
Property Taxes				
Sales and Use Taxes				
Other Taxes				
Investment Earnings				
Other Revenues				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION - Beginning of Year				
PRIOR PERIOD RESTATEMENT				
NET POSITION - Beginning of Year (As Restated)				
NET POSITION - End of Year				

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

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS -
PRIMARY GOVERNMENT**

<u>GOVERNMENT ACTIVITIES</u>	<u>BUSINESS - TYPE ACTIVITES</u>	<u>TOTAL</u>
\$ (1,437,600)	\$ -	\$ (1,437,600)
(2,621,200)	-	(2,621,200)
(3,561,464)	-	(3,561,464)
(58,662)	-	(58,662)
(2,514,184)	-	(2,514,184)
(660,073)	-	(660,073)
<u>(10,853,183)</u>	<u>-</u>	<u>(10,853,183)</u>
-	2,917,464	2,917,464
-	(98,896)	(98,896)
-	<u>(3,876)</u>	<u>(3,876)</u>
-	<u>2,814,692</u>	<u>2,814,692</u>
<u>(10,853,183)</u>	<u>2,814,692</u>	<u>(8,038,491)</u>
695,089	-	695,089
7,906,687	1,657,703	9,564,390
1,222,247	-	1,222,247
35,410	20,193	55,603
174,815	92	174,907
65,700	<u>(65,700)</u>	-
<u>10,099,948</u>	<u>1,612,288</u>	<u>11,712,236</u>
<u>(753,235)</u>	<u>4,426,980</u>	<u>3,673,745</u>
77,867,957	50,357,499	128,225,456
<u>(85,377)</u>	<u>-</u>	<u>(85,377)</u>
<u>77,782,580</u>	<u>50,357,499</u>	<u>128,140,079</u>
<u>\$ 77,029,345</u>	<u>\$ 54,784,479</u>	<u>\$ 131,813,824</u>

CITY OF RIFLE, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

With Comparative Totals for December 31, 2015

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>PARKS & RECREATION</u>
ASSETS			
Cash and Investments	\$ 4,390,970	\$ 7,926,289	\$ 1,143,481
Property Taxes Receivable	563,726	-	-
Other Receivable	2,005,921	-	-
Interest Receivable	13,823	-	-
Due from Other Governments	59,059	-	-
Restricted Cash and Investments	-	-	-
TOTAL ASSETS	<u>\$ 7,033,499</u>	<u>\$ 7,926,289</u>	<u>\$ 1,143,481</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 522,394	\$ 3,939	\$ 54,977
Accrued Wages & Comp. Absences	87,358	696	15,296
Deposits	69,354	-	350
TOTAL LIABILITIES	<u>679,106</u>	<u>4,635</u>	<u>70,623</u>
DEFERRED INFLOWS			
Deferred Revenue - Property Taxes	<u>563,726</u>	-	-
FUND BALANCE			
Nonspendable:			
Cemetery Perpetual Care	-	-	-
Restricted for:			
Channel 10	22,661	-	-
Senior Center Capital and Meals	115,013	-	-
Police Expenditures	2,472	-	-
Emergencies	370,000	-	-
Parks and Recreation	147,531	-	-
Assigned for:			
Subsequent Year's Expenditures	2,385,444	4,453,528	307,471
Economic Development	-	-	-
Street Improvements	-	3,468,126	-
Parks and Recreation	-	-	765,387
Capital Improvements	-	-	-
Unassigned	<u>2,747,546</u>	-	-
TOTAL FUND BALANCE	<u>5,790,667</u>	<u>7,921,654</u>	<u>1,072,858</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 7,033,499</u>	<u>\$ 7,926,289</u>	<u>\$ 1,143,481</u>

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

CAP PROJECT FUND		TOTALS	
CAPITAL IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	2016	2015
\$ 3,953,199	\$ 1,880,108	\$ 19,294,047	\$ 19,858,140
-	46,244	609,970	616,761
-	-	2,005,921	1,789,311
-	-	13,823	19,232
-	192	59,251	57,737
-	-	-	11,558
<u>\$ 3,953,199</u>	<u>\$ 1,926,544</u>	<u>\$ 21,983,012</u>	<u>\$ 22,352,739</u>
\$ -	\$ 6,081	\$ 587,391	\$ 76,316
-	-	103,350	139,162
-	-	69,704	137,728
-	6,081	760,445	353,206
-	46,244	609,970	616,761
	225,879	225,879	224,028
-	-	22,661	22,661
-	-	115,013	123,376
-	-	2,472	4,160
-	-	370,000	566,000
-	-	147,531	250,815
300,000	66,907	7,513,350	4,034,762
-	1,470,366	1,470,366	1,052,188
-	-	3,468,126	8,012,873
-	-	765,387	835,993
3,653,199	-	3,653,199	1,947,856
-	111,067	2,858,613	4,308,060
<u>3,953,199</u>	<u>1,874,219</u>	<u>20,612,597</u>	<u>21,382,772</u>
<u>\$ 3,953,199</u>	<u>\$ 1,926,544</u>	<u>\$ 21,983,012</u>	<u>\$ 22,352,739</u>

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CITY OF RIFLE, COLORADO

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

December 31, 2016

FUND BALANCE - GOVERNMENTAL FUNDS	\$ 20,612,597
Capital assets used in governmental activities are not resources and are not reported in the funds:	
Capital Assets	96,383,160
Accumulated Depreciation	(39,873,464)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Accrued Compensated Absences	(335,159)
The Difference between the carrying value of the refinanced long-term debt and the amount placed in escrow is an amortizable inflow or outflow:	
Deferred Charge (Gain) on Refunding	14,406
Long-term liabilities are not due and payable in the current period	
Revenue Bonds Payable	(580,000)
Capital Leases Payable	(610,674)
Bond Premiums	(16,993)
Accrued Interest Payable	(3,217)
Internal Service Funds are blended into Governmental Activities:	
Internal Service Net Position	1,438,689
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 77,029,345</u>

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

CITY OF RIFLE, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>PARKS & RECREATION</u>
REVENUES			
Taxes	\$ 5,209,223	\$ 1,083,759	\$ 2,210,271
Special Assessments	-	-	-
Licenses and Permits	163,088	-	-
Intergovernmental	1,530,249	65,000	31,536
Charges for Services	400,526	61,017	231,900
Fines and Forfeitures	110,364	-	-
Miscellaneous	278,224	86,728	194,977
TOTAL REVENUES	<u>7,691,674</u>	<u>1,296,504</u>	<u>2,668,684</u>
EXPENDITURES			
General Government	2,942,825	-	1,981
Public Safety	2,610,575	-	-
Public Works	1,393,526	482,817	-
Cemetery	74,321	-	-
Parks and Recreation	208,519	-	1,782,706
Economic Development and Assistance	418,779	-	-
Capital Outlay	469,581	1,302,653	543,123
Debt Service	-	297,500	322,328
TOTAL EXPENDITURES	<u>8,118,126</u>	<u>2,082,970</u>	<u>2,650,138</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(426,452)</u>	<u>(786,466)</u>	<u>18,546</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	150,200	-	276,200
Transfer Out	(2,145,000)	-	(63,854)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,994,800)</u>	<u>-</u>	<u>212,346</u>
CHANGE IN FUND BALANCES	<u>(2,421,252)</u>	<u>(786,466)</u>	<u>230,892</u>
FUND BALANCE, Beginning	8,297,297	8,708,120	841,966
PRIOR PERIOD ADJUSTMENT	(85,378)	-	-
FUND BALANCE, Beginning (As Restated)	<u>8,211,919</u>	<u>8,708,120</u>	<u>841,966</u>
FUND BALANCE, Ending	<u>\$ 5,790,667</u>	<u>\$ 7,921,654</u>	<u>\$ 1,072,858</u>

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

<u>CAP PROJECT FUND</u>		<u>TOTALS</u>	
<u>CAPITAL IMPROVEMENT</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>2016</u>	<u>2015</u>
\$ -	\$ 460,134	\$ 8,963,387	\$ 8,368,045
-	-	-	27,025
-	-	163,088	95,053
-	130,068	1,756,853	9,292,486
-	1,851	695,294	750,601
-	-	110,364	131,112
5,343	138,869	704,141	204,268
<u>5,343</u>	<u>730,922</u>	<u>12,393,127</u>	<u>18,868,590</u>
-	-	2,944,806	2,640,680
-	-	2,610,575	2,689,470
-	-	1,876,343	1,389,120
-	-	74,321	75,490
-	-	1,991,225	1,957,819
-	248,752	667,531	726,548
-	7,284	2,322,641	1,573,451
-	-	619,828	620,028
-	<u>256,036</u>	<u>13,107,270</u>	<u>11,672,606</u>
<u>5,343</u>	<u>474,886</u>	<u>(714,143)</u>	<u>7,195,984</u>
2,000,000	7,000	2,433,400	298,395
-	(195,200)	(2,404,054)	(232,791)
<u>2,000,000</u>	<u>(188,200)</u>	<u>29,346</u>	<u>65,604</u>
<u>2,005,343</u>	<u>286,686</u>	<u>(684,797)</u>	<u>7,261,588</u>
1,947,856	1,587,533	21,382,772	14,121,184
-	-	(85,378)	-
<u>1,947,856</u>	<u>1,587,533</u>	<u>21,297,394</u>	<u>14,121,184</u>
<u>\$ 3,953,199</u>	<u>\$ 1,874,219</u>	<u>\$ 20,612,597</u>	<u>\$ 21,382,772</u>

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CITY OF RIFLE, COLORADO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL 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	\$ (684,797)
Principal payments on debt are reported as expenditures in the funds:	
Principal Payments on Outstanding Debt:	
Revenue Bonds Payable	280,000
Capital Leases Payable	287,824
Interest, issuance costs, bond premiums and deferred charges are reported on the cash basis in the funds	
Change in Accrued Interest Payable	1,523
Amortization of Premiums and Charge on Refunding	8,203
Earned but unpaid accumulated leave balances are not reported in the funds:	
Change in Accrued Compensated Absences	(48,188)
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Purchased Capitalized Assets	2,287,609
Depreciation Expense	(3,045,424)
Internal Service Funds are blended into Governmental Activities:	
Fleet Maintenance and Information Technology Funds Change in Net Position	160,015
Change in Net Position - Governmental Activities	<u>\$ (753,235)</u>

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

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE
GENERAL FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016				2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Taxes	\$ 4,926,615	\$ 4,926,615	\$ 5,209,223	\$ 282,608	\$ 4,829,926
Licenses and Permits	359,100	359,100	163,088	(196,012)	95,053
Intergovernmental	1,612,393	1,612,393	1,530,249	(82,144)	2,802,921
Charges for Services	398,500	398,500	400,526	2,026	418,244
Fines and Forfeitures	148,000	148,000	110,364	(37,636)	131,112
Miscellaneous	46,497	46,497	278,224	231,727	96,708
TOTAL REVENUES	7,491,105	7,491,105	7,691,674	200,569	8,373,964
EXPENDITURES					
General Government	3,084,557	3,084,557	2,942,825	141,732	2,637,508
Public Safety	2,724,223	2,724,223	2,610,575	113,648	2,689,470
Public Works	1,439,704	1,439,704	1,393,526	46,178	1,253,207
Cemetery	93,019	93,019	74,321	18,698	75,490
Parks and Recreation	165,898	165,898	208,519	(42,621)	159,946
Economic Development and Assistance	511,215	511,215	418,779	92,436	485,036
Capital Outlay	603,200	603,200	469,581	133,619	36,504
TOTAL EXPENDITURES	8,621,816	8,621,816	8,118,126	503,690	7,337,161
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES					
	(1,130,711)	(1,130,711)	(426,452)	704,259	1,036,803
OTHER FINANCING SOURCES (USES)					
Transfers In	150,200	150,200	150,200	-	242,395
Transfers Out	(2,145,000)	(2,145,000)	(2,145,000)	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,994,800)	(1,994,800)	(1,994,800)	-	237,395
CHANGE IN FUND BALANCE					
	(3,125,511)	(3,125,511)	(2,421,252)	704,259	1,274,198
FUND BALANCE, Beginning	8,712,799	8,712,799	8,297,297	(415,502)	7,023,099
Prior Period Adjustment	-	-	(85,378)	(85,378)	-
FUND BALANCE, Beginning (As Restated)	8,712,799	8,712,799	8,211,919	(500,880)	7,023,099
FUND BALANCE, Ending	\$ 5,587,288	\$ 5,587,288	\$ 5,790,667	\$ 203,379	\$ 8,297,297

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

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE
STREET IMPROVEMENT FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016				2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Taxes	\$ 1,057,368	\$ 1,057,368	\$ 1,083,759	\$ 26,391	\$ 1,033,991
Special Assessments	-	-	-	-	27,025
Intergovernmental	343,251	343,251	65,000	(278,251)	6,000,000
Charges for Services	41,554	41,554	61,017	19,463	99,345
Miscellaneous	150,000	150,000	86,728	(63,272)	27,046
TOTAL REVENUES	<u>1,592,173</u>	<u>1,592,173</u>	<u>1,296,504</u>	<u>(295,669)</u>	<u>7,187,407</u>
EXPENDITURES					
Public Works	567,720	567,720	482,817	84,903	135,913
Capital Outlay	1,422,500	2,022,500	1,302,653	719,847	867,830
Debt Service	297,200	297,200	297,500	(300)	297,700
TOTAL EXPENDITURES	<u>2,287,420</u>	<u>2,887,420</u>	<u>2,082,970</u>	<u>804,450</u>	<u>1,301,443</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(695,247)	(1,295,247)	(786,466)	508,781	5,885,964
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	(25,374)
CHANGE IN FUND BALANCE	(695,247)	(1,295,247)	(786,466)	508,781	5,860,590
FUND BALANCE, Beginning	<u>8,666,605</u>	<u>8,666,605</u>	<u>8,708,120</u>	<u>41,515</u>	<u>2,847,530</u>
FUND BALANCE, Ending	<u>\$ 7,971,358</u>	<u>\$ 7,371,358</u>	<u>\$ 7,921,654</u>	<u>\$ 550,296</u>	<u>\$ 8,708,120</u>

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

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CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE
PARKS & RECREATION FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 2,120,734	\$ 2,210,271	\$ 89,537	\$ 2,069,063
Intergovernmental	252,797	31,536	(221,261)	351,535
Charges for Services	201,600	231,900	30,300	228,365
Miscellaneous	318,929	194,977	(123,952)	43,003
TOTAL REVENUES	<u>2,894,060</u>	<u>2,668,684</u>	<u>(225,376)</u>	<u>2,691,966</u>
EXPENDITURES				
General Government	5,000	1,981	3,019	3,172
Parks and Recreation	1,838,104	1,782,706	55,398	1,797,873
Capital Outlay	847,700	543,123	304,577	127,410
Debt Service	322,329	322,328	1	322,328
TOTAL EXPENDITURES	<u>3,013,133</u>	<u>2,650,138</u>	<u>362,995</u>	<u>2,250,783</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(119,073)</u>	<u>18,546</u>	<u>137,619</u>	<u>441,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	276,200	276,200	-	19,000
Transfers Out	(63,854)	(63,854)	-	(94,417)
TOTAL OTHER FINANCING SOURCES (USES)	<u>212,346</u>	<u>212,346</u>	<u>-</u>	<u>(75,417)</u>
CHANGE IN FUND BALANCE	93,273	230,892	137,619	365,766
FUND BALANCE, Beginning	409,872	841,966	432,094	476,200
FUND BALANCE, Ending	<u>\$ 503,145</u>	<u>\$ 1,072,858</u>	<u>\$ 569,713</u>	<u>\$ 841,966</u>

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

CITY OF RIFLE, COLORADO

STATEMENT OF NET POSITIONPROPRIETARY FUNDS

December 31, 2016

With Comparative Totals for December 31, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	WASTEWATER	NON-MAJOR SANITATION	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 9,782,154	\$ 719,609	\$ 806,037	\$ 11,307,800
Other Receivable	267,787	306,297	51,872	625,956
Prepaid Expenses	499	499	498	1,496
Inventory	177,009	9,755	-	186,764
TOTAL CURRENT ASSETS	10,227,449	1,036,160	858,407	12,122,016
PROPERTY AND EQUIPMENT				
PROPERTY AND EQUIPMENT	70,185,582	42,910,573	-	113,096,155
Less Accumulated Depreciation	(14,239,626)	(13,274,090)	-	(27,513,716)
NET PROPERTY AND EQUIPMENT	55,945,956	29,636,483	-	85,582,439
OTHER ASSETS				
Restricted Cash and Investments	10,000	-	-	10,000
TOTAL ASSETS	66,183,405	30,672,643	858,407	97,714,455
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	2,267,301	30,998	36,873	2,335,172
Accrued Wages & Comp. Absences	51,115	37,137	278	88,530
Accrued Interest Payable	197,185	207,983	-	405,168
Deposits	10,000	-	-	10,000
Unearned Revenue	21,969	47,928	-	69,897
Current Portion of Long Term Debt	1,356,312	832,848	-	2,189,160
TOTAL CURRENT LIABILITIES	3,903,882	1,156,894	37,151	5,097,927
NONCURRENT LIABILITIES				
Notes Payable	21,621,019	11,601,030	-	33,222,049
Certificates of Participation	4,610,000	-	-	4,610,000
TOTAL NONCURRENT LIABILITIES	26,231,019	11,601,030	-	37,832,049
TOTAL LIABILITIES	30,134,901	12,757,924	37,151	42,929,976
NET POSITION				
Net Investment in Capital Assets	28,368,625	17,202,605	-	45,571,230
Restricted				
For Emergencies	231,000	-	-	231,000
For Capital from Sales Tax	1,098,954	-	-	1,098,954
For Operations and Maintenance Reserve	541,777	442,029	-	983,806
Unrestricted	5,808,148	270,085	821,256	6,899,489
TOTAL NET POSITION	\$ 36,048,504	\$ 17,914,719	\$ 821,256	\$ 54,784,479

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

GOVERNMENTAL ACTIVITIES		
INTERNAL SERVICE	TOTALS	
	2016	2015
\$ 719,655	\$ 12,027,455	\$ 15,360,456
-	625,956	1,892,904
-	1,496	51,866
31,152	217,916	193,173
<u>750,807</u>	<u>12,872,823</u>	<u>17,498,399</u>
2,129,410	115,225,565	94,889,413
(1,383,618)	(28,897,334)	(27,134,036)
<u>745,792</u>	<u>86,328,231</u>	<u>67,755,377</u>
-	10,000	10,654,814
<u>1,496,599</u>	<u>99,211,054</u>	<u>95,908,590</u>
45,628	2,380,800	1,393,551
12,282	100,812	113,152
-	405,168	434,653
-	10,000	10,000
-	69,897	69,897
-	2,189,160	2,160,698
<u>57,910</u>	<u>5,155,837</u>	<u>4,181,951</u>
-	33,222,049	35,295,466
-	4,610,000	4,795,000
-	37,832,049	40,090,466
<u>57,910</u>	<u>42,987,886</u>	<u>44,272,417</u>
745,792	46,317,022	41,134,027
-	231,000	216,000
-	1,098,954	886,139
-	983,806	878,315
<u>692,897</u>	<u>7,592,386</u>	<u>8,521,692</u>
<u>\$ 1,438,689</u>	<u>\$ 56,223,168</u>	<u>\$ 51,636,173</u>

CITY OF RIFLE, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	WASTEWATER	NON-MAJOR SANITATION	TOTAL
OPERATING REVENUES				
Charges for Services	\$ 2,967,704	\$ 2,875,056	\$ 537,408	\$ 6,380,168
Sale of Materials	7,744	-	-	7,744
Reimbursed Expenditures	(4,554)	-	-	(4,554)
Other Revenue	509,027	2,238	1,124	512,389
TOTAL OPERATING REVENUES	3,479,921	2,877,294	538,532	6,895,747
OPERATING EXPENSES				
Personal Services	622,070	639,457	15,293	1,276,820
Supplies	231,588	85,483	-	317,071
Purchased Services	626,069	542,396	517,951	1,686,416
Other Expenses	30,150	26,614	4	56,768
Management Fees	105,000	105,000	9,160	219,160
Fleet Maintenance	50,883	30,896	-	81,779
Info Tech Maintenance	37,685	50,247	-	87,932
Small Equipment Purchases	71,241	694	-	71,935
Depreciation	726,542	1,060,418	-	1,786,960
TOTAL OPERATING EXPENSES	2,501,228	2,541,205	542,408	5,584,841
NET INCOME (LOSS) FROM OPERATIONS	978,693	336,089	(3,876)	1,310,906
NONOPERATING INCOME (EXPENSE)				
System Improvement Fees	103,499	17,753	-	121,252
Investment Earnings	17,434	1,301	1,458	20,193
Gain (Loss) on Disposal of Capital Assets	-	-	-	-
Sales and Use Taxes	1,657,703	-	-	1,657,703
Cash in Lieu of Fees	5,202	-	-	5,202
Federal Grants	1,066,445	-	-	1,066,445
State Grants	1,356,237	-	-	1,356,237
Other Revenues	92	-	-	92
Amortization of Bond Premiums	69,258	35,614	-	104,872
Interest Expense	(661,870)	(488,352)	-	(1,150,222)
NONOPERATING INCOME (EXPENSE)	3,614,000	(433,684)	1,458	3,181,774
NET INCOME (LOSS) BEFORE TRANSFERS	4,592,693	(97,595)	(2,418)	4,492,680
TRANSFERS				
Transfers In	-	-	-	-
Transfers Out	(31,800)	(31,900)	(2,000)	(65,700)
NET TRANSFERS	(31,800)	(31,900)	(2,000)	(65,700)
NET INCOME (LOSS)	4,560,893	(129,495)	(4,418)	4,426,980
NET POSITION, Beginning	31,487,611	18,044,214	825,674	50,357,499
NET POSITION, Ending	\$ 36,048,504	\$ 17,914,719	\$ 821,256	\$ 54,784,479

The accompanying notes are an integral part of the financial statements

**GOVERNMENTAL
ACTIVITIES**

INTERNAL SERVICE	TOTALS	
	2016	2015
\$ 1,073,383	\$ 7,453,551	\$ 7,072,731
-	7,744	15,065
-	(4,554)	22,279
-	512,389	240,203
<u>1,073,383</u>	<u>7,969,130</u>	<u>7,350,278</u>
289,386	1,566,206	1,609,102
204,663	521,734	518,248
117,709	1,804,125	1,864,440
138,736	195,504	188,566
-	219,160	219,152
-	81,779	54,768
6,281	94,213	78,144
21,196	93,131	90,052
173,759	1,960,719	1,879,521
<u>951,730</u>	<u>6,536,571</u>	<u>6,501,993</u>
<u>121,653</u>	<u>1,432,559</u>	<u>848,285</u>
-	121,252	269,495
1,306	21,499	9,362
50	50	99
-	1,657,703	1,551,797
-	5,202	10,620
-	1,066,445	-
-	1,356,237	2,307,474
652	744	49,486
-	104,872	104,872
-	(1,150,222)	(1,194,742)
<u>2,008</u>	<u>3,183,782</u>	<u>3,108,463</u>
<u>123,661</u>	<u>4,616,341</u>	<u>3,956,748</u>
36,354	36,354	-
-	(65,700)	(65,604)
<u>36,354</u>	<u>(29,346)</u>	<u>(65,604)</u>
160,015	4,586,995	3,891,144
<u>1,278,674</u>	<u>51,636,173</u>	<u>47,745,029</u>
<u>\$ 1,438,689</u>	<u>\$ 56,223,168</u>	<u>\$ 51,636,173</u>

CITY OF RIFLE, COLORADO

STATEMENT OF CASH FLOWS**PROPRIETARY FUNDS**

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	NON-MAJOR SANITATION	TOTAL
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 4,760,337	\$ 2,864,868	\$ 537,491	\$ 8,162,696
Cash Payments to Suppliers	(181,432)	(838,134)	(490,355)	(1,509,921)
Cash Payments to Employees	(622,530)	(643,829)	(15,335)	(1,281,694)
Net Cash Provided by Operating Activities	<u>3,956,375</u>	<u>1,382,905</u>	<u>31,801</u>	<u>5,371,081</u>
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(20,312,286)	(21,528)	-	(20,333,814)
Proceeds From Sale of Capital Assets	-	-	-	-
Proceeds From System Improvement Fees	103,499	17,753	-	121,252
Proceeds From Cash in Lieu of Fees	5,202	-	-	5,202
Proceeds From Sales & Use Taxes	1,657,703	-	-	1,657,703
Proceeds From Grants	2,422,682	-	-	2,422,682
Principal Payments on Debt	(1,318,472)	(806,613)	-	(2,125,085)
Interest Payments on Debt	(680,900)	(498,807)	-	(1,179,707)
Transfers - Net	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,122,572)</u>	<u>(1,309,195)</u>	<u>-</u>	<u>(19,431,767)</u>
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	92	-	-	92
Transfers - Net	(31,800)	(31,900)	(2,000)	(65,700)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(31,708)</u>	<u>(31,900)</u>	<u>(2,000)</u>	<u>(65,608)</u>
Cash Flows From Investing Activities:				
Investment Income	17,434	1,301	1,458	20,193
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,180,471)	43,111	31,259	(14,106,101)
CASH AND EQUIVALENTS, Beginning	23,972,625	676,498	774,778	25,423,901
CASH AND EQUIVALENTS, Ending	\$ 9,792,154	\$ 719,609	\$ 806,037	\$ 11,317,800
Cash and Equivalents	\$ 9,782,154	\$ 719,609	\$ 806,037	\$ 11,307,800
Restricted Cash and Equivalents	10,000	-	-	10,000
TOTAL CASH AND EQUIVALENTS	\$ 9,792,154	\$ 719,609	\$ 806,037	\$ 11,317,800
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 978,693	\$ 336,089	\$ (3,876)	\$ 1,310,906
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	726,542	1,060,418	-	1,786,960
(Increase) Decrease in:				
Other Receivable	1,280,416	(12,426)	(1,041)	1,266,949
Prepaid Expenses	50,370	-	-	50,370
Inventory	(30,851)	(1,190)	-	(32,041)
Increase (Decrease) in:				
Accounts Payable	951,665	4,386	36,760	992,811
Accrued Wages & Comp. Absences	(460)	(4,372)	(42)	(4,874)
Total Adjustments	<u>2,977,682</u>	<u>1,046,816</u>	<u>35,677</u>	<u>4,060,175</u>
Net Cash Provided by Operating Activities	<u>\$ 3,956,375</u>	<u>\$ 1,382,905</u>	<u>\$ 31,801</u>	<u>\$ 5,371,081</u>

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

GOVERNMENTAL ACTIVITIES		
INTERNAL SERVICE	TOTAL	
	2016	2015
\$ 1,073,383	\$ 9,236,079	\$ 5,990,340
(486,847)	(1,996,768)	(2,162,575)
(296,853)	(1,578,547)	(1,584,164)
<u>289,683</u>	<u>5,660,764</u>	<u>2,243,601</u>
(199,760)	(20,533,574)	(14,417,107)
50	50	99
-	121,252	269,495
-	5,202	10,620
-	1,657,703	1,702,537
-	2,422,682	2,307,474
-	(2,125,085)	3,084,791
-	(1,179,707)	(1,202,729)
36,354	36,354	-
<u>(163,356)</u>	<u>(19,595,123)</u>	<u>(8,244,820)</u>
652	744	49,486
-	(65,700)	(65,604)
<u>652</u>	<u>(64,956)</u>	<u>(16,118)</u>
1,306	21,499	9,362
128,285	(13,977,816)	(6,007,975)
<u>591,370</u>	<u>26,015,271</u>	<u>32,023,245</u>
<u>\$ 719,655</u>	<u>\$ 12,037,455</u>	<u>\$ 26,015,270</u>
\$ 719,655	\$ 12,027,455	\$ 15,360,456
-	10,000	10,654,814
<u>\$ 719,655</u>	<u>\$ 12,037,455</u>	<u>\$ 26,015,270</u>
<u>\$ 121,653</u>	<u>\$ 1,432,559</u>	<u>\$ 848,285</u>
173,759	1,960,719	1,879,521
-	1,266,949	(1,359,938)
-	50,370	4,973
7,297	(24,744)	(14,452)
(5,559)	987,252	860,274
(7,467)	(12,341)	24,938
<u>168,030</u>	<u>4,228,205</u>	<u>1,395,316</u>
<u>\$ 289,683</u>	<u>\$ 5,660,764</u>	<u>\$ 2,243,601</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rifle was incorporated in 1905 and became a Home Rule City in 1963. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, water, sewer, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include the accounts of all City operations.

This summary of the City of Rifle'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 Rifle 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.

Blended Component Units

The Downtown Development Agency (DDA) and the Urban Renewal Authority (URA) were created as separate legal entities by an act of the state legislature and "activated" by action of the City Council to plan and develop the downtown and other blighted areas of the City and to attract new businesses and residents. The governing board of the DDA is appointed by the City Council for fixed terms. The DDA has the complete authority to hire management and all other employees. There is no significant continuing relationship between the City and the DDA for carrying out day-to-day functions. The governing board of the URA is the City Council.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

The DDA is a separate taxing body and levies taxes against the property owners within the designated development district and may hold referendums of its constituents. The DDA's levy and the levy of the City are independent of each other and are related only by the fact that they are levied against a common tax base within the DDA's geographic boundaries. Property taxes from the DDA's levy are its primary revenue source.

The URA's primary source of revenue is increment tax receipts based on the increased assessed valuation of taxes in the Urban Renewal Authority boundaries.

Because the DDA's governing board is appointed by the City and the budget and any amendments thereto are approved by the City, the DDA is reported as if it were part of the primary government. Similarly, since URA's governing board is the City Council and the budget and any amendments thereto are approved by the City, the URA is reported as if it were part of the primary government.

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.

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.

CITY OF RIFLE, 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)

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.

Major Special Revenue Funds

Street Improvement Fund – This fund receives sales, use, and street impact revenues restricted for public works street improvements.

Parks and Recreation Fund – This fund accounts for the operations of the City’s parks and recreation programs. It is partially funded through a 1% sales and use tax assessment.

Major Capital Projects Fund

Capital Improvement Fund – This fund accounts for the operations of the City’s Capital Improvement projects.

The City also reports the following major proprietary funds:

Water and Wastewater Funds – These funds account for the activities related to offering the respective services to the City’s residents.

Budgets

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

- (1) In accordance with the City Charter, on or before the second Council meeting in August, the Council adopts a resolution setting the schedule for the adoption of the following year’s budget.
- (2) Prior to or by the first Council meeting in December, the budget is legally enacted through passage of an ordinance, after receiving input through public hearings.
- (3) The City Manager reports monthly to the City Council explaining any variance from the approved budget.
- (4) The City Charter requires the adoption of a budget for proprietary funds. Depreciation expense is not a budgeted item.
- (5) The City does not utilize encumbrance accounting and all appropriations lapse at year end.
- (6) Budgets presented are as originally adopted or amended by City Council. The City does not budget for Perpetual Care.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property Taxes

Property taxes for the City are levied by the City Council and certified for collection to Garfield 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.

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	10 - 50 years
Land Improvements	7 - 75 years
Machinery and Equipment	5 - 10 years
Wastewater System	30 - 50 years
Water System	30 - 50 years

Infrastructure assets, which include streets, bridges, and drainage systems, are depreciated using the straight line method over estimated useful life of 25 years.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees earn one day of sick-leave per month. Upon accrual of 480 hours of sick-leave, employees at year end will receive 50% of balance over 480 added to their vacation accrual in lieu of sick leave.

Vacation is earned based upon the tenure with the City up to a maximum of twenty five days. Upon termination, the amount paid is the number of days accrued.

The City records this liability in the proprietary funds and in the governmental activities presentation. In the proprietary funds, the leave balance is included with the year-end accrued payroll balance. Current accrued compensated absences including accrued regular payroll was \$539,321 at December 31, 2016. Accrued payroll of \$87,358 was recorded in the General Fund, and \$15,992 in the Special Revenue Funds. Accrued payroll of \$88,530 was recorded in the Enterprise Funds and \$12,282 in the Internal Service Funds. Governmental accrued compensated absences of \$335,160 were reported in the Governmental Activities presentation.

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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance (Continued)

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.

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.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Governmental - Unrestricted	\$ 19,902,635
Business-type - Unrestricted	11,307,800
Governmental - Restricted	111,067
Business-type - Restricted	<u>10,000</u>
Total Cash and Investments	<u>\$ 31,331,502</u>

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

Cash and Deposits	\$ 19,013,435
Investments	<u>12,318,067</u>
Total Cash and Investments	<u>\$ 31,331,502</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 bank deposits as shown below were either insured by federal depository insurance or collateralized under PDPA.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

Uninsured deposits in financial institutions are placed into three categories depending on the custody credit risk. The categories are as follows:

1. Uncollateralized
2. Collateralized with securities held by the pledging financial institution
3. Collateralized with securities held by the pledging financial institution’s trust department, or agent but not in the entity's name

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 2,210,708	\$ 2,210,708
PDPA (Category 3)	17,399,509	16,800,742
Petty Cash	<u>-</u>	<u>1,985</u>
Total Cash and Deposits	<u>\$19,610,217</u>	<u>\$ 19,013,435</u>

Investments

Credit Risk

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Weighted Average Maturity</u>
U.S. Instrumentalities:	\$ -	\$ 4,727,831	\$ -	\$ 4,727,831	n\a
Local Investment Pools	-	6,939,027	-	\$ 6,939,027	n\a
Mutual Funds\Debt Proceeds	<u>-</u>	<u>89,361</u>	<u>-</u>	<u>\$ 89,361</u>	n\a
Total Investments	<u>\$ -</u>	<u>\$ 11,756,219</u>	<u>\$ -</u>	<u>\$ 11,756,219</u>	

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- Investment Pools - Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

The City recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2016, there were no changes in the methods or assumptions utilized to derive the fair value of the City's assets and liabilities.

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 Director of Finance is responsible for all of the investments of the City.

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

During the year ended December 31, 2016, the City invested funds in the Colorado Surplus Asset Fund (CSAFE) and Colotrust. As investment pools, they operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner.

Custodial Credit Risk – Investments

They invest in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor's Corporation.

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.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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 6.79%, 17.92% and 15.50%, respectively, of the City’s total 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. As of December 31, 2016, the City’s U.S. Instrumentality securities were held by Wells Fargo Brokerage Services, LLC, or AXA Advisors, LLC in the name of the City.

NOTE 3: CAPITAL ASSETS

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

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/2016</u>
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 3,969,755	\$ 10,150	\$ -	\$ 3,979,905
Depreciable Capital Assets:				
Buildings	16,711,118	-	-	16,711,118
Improvements	69,713,601	1,495,182	-	71,208,784
Equipment	3,737,537	782,276	36,460	4,483,353
Int Svc Equipment & Vehicles	<u>1,905,470</u>	<u>223,940</u>	<u>-</u>	<u>2,129,411</u>
Total Capital Assets	<u>96,037,481</u>	<u>2,511,548</u>	<u>36,460</u>	<u>98,512,571</u>
Less: Accumulated Depreciation				
Buildings	5,350,670	366,330	-	5,717,000
Improvements	28,566,020	2,530,563	-	31,096,582
Equipment	2,947,810	148,532	36,460	3,059,882
Int Svc Equipment & Vehicles	<u>1,185,678</u>	<u>197,939</u>	<u>-</u>	<u>1,383,618</u>
Total Accumulated Depreciati	<u>38,050,178</u>	<u>3,243,364</u>	<u>36,460</u>	<u>41,257,082</u>
Net Capital Assets	<u>\$57,987,303</u>	<u>\$ (731,816)</u>	<u>\$ -</u>	<u>\$ 57,255,489</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CAPITAL ASSETS (Continued)

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

	Governmental Activities
General Government	\$ 125,219
Public Safety	84,392
Public Works	2,079,783
Cemetery	1,545
Parks & Recreation	668,897
Economic Development	<u>85,589</u>
Depreciation Govt Funds	3,045,425
Int Svc Equipment & Vehicles	<u>197,939</u>
Total Depreciation	<u>\$ 3,243,364</u>

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

	Balance <u>12/31/2015</u>	Additions	Deletions/ Transfers	Balance <u>12/31/2016</u>
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 1,985,544	\$ -	\$ -	\$ 1,985,544
Water Rights	601,763	49,589	-	651,352
Construction in Process	13,003,724	17,610,836	-	30,614,559
Depreciable Capital Assets:				
Buildings	40,716,082	-	-	40,716,082
Improvements	34,339,730	2,633,246	-	36,972,976
Equipment	<u>2,337,101</u>	<u>40,143</u>	<u>221,602</u>	<u>2,155,642</u>
Total Capital Assets	<u>92,983,944</u>	<u>20,333,814</u>	<u>221,602</u>	<u>113,096,155</u>
Less: Accumulated Depreciation				
Buildings	14,563,539	1,164,682	-	15,728,221
Improvements	9,630,930	501,849	-	10,132,779
Equipment	<u>1,753,889</u>	<u>120,430</u>	<u>221,602</u>	<u>1,652,717</u>
Total Accumulated Depreciation	<u>25,948,358</u>	<u>1,786,961</u>	<u>221,602</u>	<u>27,513,717</u>
Net Capital Assets	<u>\$67,035,586</u>	<u>\$ 18,546,853</u>	<u>\$ -</u>	<u>\$ 85,582,438</u>

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

	Business-Type Activities
Water Operations	\$ 726,543
Sewer Operations	<u>1,060,418</u>
Depreciation Expense	<u>\$ 1,786,961</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES

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

	<u>Balance</u> <u>12/31/15</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/16</u>	<u>Current</u> <u>Portion</u>	<u>Interest</u> <u>Expense</u>
2013 Refunding Revenue Bonds	\$ 860,000	\$ -	\$ 280,000	\$ 580,000	\$ 285,000	\$ 18,188
2013 Refunding Revenue Bond Premium	25,196	-	8,203	16,993	8,350	(8,203)
Parks Facility Capital Lease	898,498	-	287,824	610,674	299,320	36,733
Accrued Compensated Absences	300,562	34,598	-	335,160	-	-
Total Obligations	<u>\$ 2,084,256</u>	<u>\$ 34,598</u>	<u>\$ 576,027</u>	<u>\$ 1,542,827</u>	<u>\$ 592,670</u>	<u>\$ 46,718</u>
Deferred Charge on Refunding - 2013 Bonds	<u>\$ 14,406</u>	<u>\$ -</u>	<u>\$ 4,690</u>	<u>\$ 9,716</u>		

BONDS PAYABLE

In June, 2013, the City issued \$1,645,000 of Sales and Use Tax Refunding Revenue Bonds to advance refund the outstanding 2003 bonds. These bonds are secured by a pledge of the City’s sales and use tax revenue. The pledge is for one half of the revenues derived from the City’s 2.5% sales and use tax in place at the time of issuance and does not represent an exclusive assignment or pledge. The net pledged amount was \$2,218,486 for the 2013 fiscal year. The bonds mature serially beginning in 2013 through 2018. Bond principal payments are due annually on December 1, and interest is due semi-annually on June 1 and December 1. The bonds bear interest at 2%. These bonds are repaid through the Street Improvement Fund.

Scheduled payments on the bonds are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	285,000	11,600	296,600
2018	295,000	5,900	300,900
Total	<u>\$ 580,000</u>	<u>\$ 17,500</u>	<u>\$ 597,500</u>

CAPITAL LEASE PAYABLE

In August 2008, the City entered into a lease purchase agreement for the construction of a new parks facility. The lease requires semi-annual base rentals of \$161,164 consisting of both principal and interest at 4.28% on June 1 and December 1 of each year after an initial interest payment of \$28,747 in December 2008. Payments continue through December 2018. The initial lease proceeds were \$2,600,000. Payments are made through the Parks and Recreation Fund.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: LONG - TERM DEBT – GOVERNMENTAL ACTIVITIES (Continued)

Scheduled payments on the capital lease are as follows:

<u>Year</u>	<u>Parks Facility Payment</u>
2017	\$ 322,328
2018	322,328
Total Payments	644,656
Interest at 4.28%	(33,982)
Present Value of Payments	<u>\$ 610,674</u>

NOTE 5: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES

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

	<u>Balance 12/31/15</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance 12/31/16</u>	<u>Current Portion</u>	<u>Interest Expense</u>	<u>Noncurrent Portion</u>
2003 CWRPDA Loan - Water	\$ 715,000	\$ -	\$ 80,833	\$ 634,167	\$ 85,000	\$ 30,223	\$ 549,167
2006 Capital Lease - Water	102,249	-	102,249	-	-	2,039	-
2007 CWRPDA Loan - Sewer	12,827,964	-	806,612	12,021,352	832,848	488,352	11,188,504
2007 CWRPDA Premium - Sewer	448,138	-	35,614	412,524	35,614	35,614	376,910
2012 CWRPDA Loan - Water	20,179,761	-	869,712	19,310,049	894,040	436,723	18,416,009
2012 CWRPDA Loan - Water (Fed)	1,716,011	-	85,678	1,630,333	87,400	33,180	1,542,933
2012 CWRPDA Premium - Water	1,287,040	-	69,258	1,217,782	69,258	69,258	1,148,524
2015 Certificate of Participation - Water	4,975,000	-	180,000	4,795,000	185,000	157,699	4,610,000
Total Obligations	<u>\$ 42,251,163</u>	<u>\$ -</u>	<u>\$ 2,229,956</u>	<u>\$ 40,021,207</u>	<u>\$ 2,189,160</u>	<u>\$ 1,253,088</u>	<u>\$ 37,832,047</u>

NOTES PAYABLE

In 2003, the City obtained permanent financing from the Colorado Water Resource and Power Development Authority (“CWRPDA”) of \$1,525,000 to fund system improvements. This permanent financing was used to repay the interim borrowing from CWRPDA that occurred in 2002. The loan bears interest at 3.98% and required monthly principal and interest payments through October 1, 2023. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures, or \$541,777. The City has funded this reserve through the restriction of its net position balance in the Water Fund. The City believes it is in compliance with all required covenants and obligations called for by the loan agreement. Payments are made through the Water Fund.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)

NOTES PAYABLE (Continued)

Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,000	\$ 27,123	\$ 112,123
2018	85,833	23,723	109,556
2019	90,833	20,275	111,108
2020	95,000	16,535	111,535
2021	95,833	12,529	108,362
2022-2023	181,667	12,329	193,996
Total	\$ 634,166	\$ 112,514	\$ 746,680

In May 2007, the City entered into a loan agreement with the Colorado Water Resource and Power Development Authority in the amount of \$17,852,112. The proceeds were used to complete sewer improvements. The City has also recorded \$747,848 of premiums that are being amortized over the life of the note, with the remaining unamortized portion included in the note payable balance in the financial statements. The loan requires semi-annual principal and interest payments on February 1 and August 1 of each year through 2028. The loan bears interest at 3.5% per annum, not including administrative fees. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures, or \$442,029. The City has funded this reserve through the restriction of net position in the Wastewater Fund. The City believes it is in compliance with all required covenants and obligations called for by the loan agreement. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 832,848	\$ 419,127	\$ 1,251,975
2018	859,084	391,142	1,250,226
2019	880,320	367,102	1,247,422
2020	906,556	340,754	1,247,310
2021	938,204	309,917	1,248,121
2022-2026	5,154,092	1,097,955	6,252,047
2027-2028	2,450,248	50,235	2,500,483
Total	\$ 12,021,352	\$ 2,976,232	\$ 14,997,584

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)

NOTES PAYABLE (Continued)

In August 2012, the City entered into two loan agreements with the Colorado Water Resource and Power Development Authority in the amount of \$23,858,367. The loans are comprised of \$21,858,367 of regular CWRPDA financing and an additional \$2,000,000 direct loan. The proceeds are to be used to complete water system improvements.

The City has also received the benefit of \$1,523,671 of premiums related to the \$21,858,367 CWRPDA debt issuance that are being amortized over the life of the note. The unamortized portion of the premiums is included in the note payable balance in the financial statements. Issuance costs of \$382,038 were expensed during 2012. The undrawn net proceeds from the loan in the amount of \$10,000 are being held in escrow by CWRPDA pending the completion of construction (Note 2). The \$21,858,367 loan requires semi-annual principal and interest payments on February 1 and August 1 of each year through 2034 commencing in August 2012. The loan bears interest at 1.6% per annum, not including administrative fees. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures, or \$541,777. The City has funded this reserve through the restriction of its net position balance in the Water Fund. The City believes it is in compliance with all required covenants and obligations called for by the loan agreement. All debt payments related to this loan are made by the Water Fund.

The \$2,000,000 direct loan was previously a federally subsidized non-interest bearing loan. However in 2014, the project no longer qualifies as green, and therefore, the loan does not qualify for a 0% interest rate. The new rate of 2% interest began accruing on August 1, 2014 with the first payment, at the new interest rate, due on February 1, 2015. The loan requires semi-annual principal payments of \$50,000 on February 1 and August 1 of each year through 2032 commencing in February 2013. All debt payments related to this loan are made by the Water Fund.

Debt service requirements to maturity on the two loans are as follows:

<u>Year</u>	<u>Regular CWRPDA</u>			<u>Federal CWRPDA</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 894,040	\$ 429,973	\$ 1,324,013	\$ 87,400	\$ 32,172	\$ 119,572
2018	912,286	408,724	1,321,010	89,156	30,415	119,572
2019	948,777	376,497	1,325,274	90,948	28,623	119,572
2020	967,023	360,004	1,327,027	92,777	26,795	119,572
2021	979,187	344,647	1,323,834	94,641	24,930	119,572
2021-2025	5,242,602	1,373,080	6,615,682	502,517	95,340	597,858
2026-2030	5,607,516	1,009,396	6,616,912	555,092	42,766	597,858
2031-2035	3,758,617	222,723	3,981,340	117,801	1,770	119,571
Total	\$ 19,310,048	\$ 4,525,044	\$ 23,835,092	\$ 1,630,333	\$ 282,811	\$ 1,913,144

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: LONG - TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)

CERTIFICATES OF PARTICIPATION

In 2015, the City issued \$5,085,000 in certificates of participation for a water tank construction project. Principal payments are due semi-annually on June 1 and December 1. Principal payments start at \$110,000 in 2015 and increase to \$335,000 by 2035, at an interest rate of 3.13%. Payments are made by the Water Fund.

Scheduled payments on the certificates of participation are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 180,000	\$ 158,313	\$ 338,313
2017	185,000	152,168	337,168
2018	195,000	146,297	341,297
2019	200,000	140,109	340,109
2020	205,000	134,128	339,128
2021-2025	1,130,000	567,233	1,697,233
2026-2030	1,325,000	375,628	1,700,628
2031-2035	1,555,000	144,536	1,699,536
Total	\$ 4,975,000	\$ 1,818,412	\$ 6,793,412

NOTE 6: INTERFUND TRANSACTIONS

The City has recorded the following routine transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 150,200	\$ 2,145,000
Parks Fund	276,200	63,854
Water Fund	-	31,800
Sewer Fund	-	31,900
Nonmajor Governmental Funds	2,007,000	195,200
Nonmajor Enterprise Funds	36,354	2,000
Totals	\$ 2,469,754	\$ 2,469,754

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: INTERFUND TRANSACTIONS (Continued)

The following funds have made payments to the internal service funds representing maintenance and capital recovery costs:

	Internal Charges Received	Internal Charges Paid
General Fund	\$ -	\$ 712,506
Parks Fund	-	184,886
Water Fund	-	88,568
Wastewater Fund	-	81,143
Fleet Maintenance Fund	395,295	6,281
Information Technology Fund	678,088	-
Total	<u>\$ 1,073,383</u>	<u>\$ 1,073,383</u>

In 2005, the General Fund made a \$400,000 transfer to the Fleet Maintenance Fund to provide resources for fleet acquisitions. The Fleet Maintenance Fund acquires assets on behalf of other operating departments. These assets are capitalized in the fund and then allocated to the activities and functions as required for the government-wide presentation. The Fleet Maintenance Fund will recover the original acquisition costs in the form of increased user charges. These recoveries will assist in maintaining cash resources for future fleet purchases.

The utility funds have paid the General Fund the following management fees:

	Mgmt Fees Received	Mgmt Fees Paid
General Fund	\$ 219,160	\$ -
Water Fund	-	105,000
Wastewater Fund	-	105,000
Sanitation Fund	-	9,160
Total	<u>\$ 219,160</u>	<u>\$ 219,160</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: EMPLOYEE BENEFIT PLANS

The City provides pension benefits for all of its full-time police officers through a defined contribution plan. The police officers contribute 8% of their compensation to the plan, which the City matches with a 12.51% contribution. The City's contributions for each employee (and interest allocated thereon) vest at the rate of 20% per year. The City's contributions were calculated using the base salary amount of \$1,407,290. During the years ended December 31, 2016 and 2015, the City contributed \$176,052 and \$175,580, respectively, and the employees contributed \$112,583 and \$112,224, respectively.

All other full-time employees of the City are eligible to participate in a defined contribution pension plan established under the provisions of Section 401(k) of the Internal Revenue Code. In this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The plan covers all full-time employees upon initial employment and who have attained the age of twenty-one. The City contributes 5% of compensation to the plan on behalf of each qualified employee. Employees may not make contributions to this plan. Employees vest at the rate of 20% per year in contributions made by the City so that, by the fifth year of participation, they are 100% vested in all contributions made to the plan. The City's total payroll was \$5,486,756 and covered payroll was \$3,487,780 for this plan. For the years ended December 31, 2016 and 2015, the City contributed \$174,389 and \$180,296, respectively, to the plan.

The City offers a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. The plan permits employees to defer a portion of their salary to future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. However, employees are allowed to borrow against these funds and re-pay via payroll deduction. All amounts held by the Section 457 plan are held in trust for the benefit of the employees and accordingly are not included in the City's financial statements.

NOTE 8: RECONCILIATION OF BUDGETED EXPENDITURES TO ACTUALS

The financial statements present the activities of the proprietary fund types in conformity with GAAP, as applicable to these funds. Budgets are prepared using a non-GAAP basis. A reconciliation of the two methods is provided below:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Fleet</u>	<u>Information</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Maintenance</u>	<u>Systems</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Total Expenditures -					
GAAP Basis	\$ 3,125,640	\$ 3,025,843	\$ 544,408	\$ 452,564	\$ 499,166
Depreciation	(726,542)	(1,060,418)	-	(134,558)	(39,201)
Debt Service Principal	1,387,730	806,613	-	-	-
Amortization	69,258	-	-	-	-
Capital Asset Acquisition	<u>20,312,286</u>	<u>21,528</u>	<u>-</u>	<u>184,965</u>	<u>14,795</u>
Total Expenditures -					
Budget Basis	<u>\$ 24,168,372</u>	<u>\$ 2,793,566</u>	<u>\$ 544,408</u>	<u>\$ 502,971</u>	<u>\$ 474,760</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 9: 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, 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. 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 carries commercial insurance for workers compensation claims.

NOTE 10: 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 \$370,000 was recorded in the General Fund and an additional \$231,000 in the Water Fund.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

2017 Budget Designations

Through the adoption of the 2017 budget, the City has assigned the following resources:

Assigned for Subsequent Year's Expenditures:	
General Fund	\$ 2,385,444
Street Improvement	4,453,528
Downtown Development	18,940
Capital Improvement	300,000
Tourism & Industry	24,491
Parks and Recreation	307,471
Visitor Improvement	23,476

NOTE 11: PRIOR YEAR RESTATEMENT

The City determined during the fiscal year that certain prior year receivable balances did not meet the requirements to be reported at year-end. Accordingly, the City has reduced the beginning equity in the Governmental Activities and General Fund by \$85,378. Due to collectability issues, these amounts will be reported as revenues upon receipt.

NOTE 12: RATE MAINTENANCE

Both the 2003 and the 2012 Colorado Water Resources and Power Development Authority water loan agreements require that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due.

The 2007 Colorado Water Resources and Power Development Authority sewer loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and parity debt coming due. The computation of both the Water and Wastewater rate maintenance is as follows:

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

	Water	Wastewater
	<u>Fund</u>	<u>Fund</u>
<u>Revenues</u>		
Operating Revenues	\$ 3,481,147	\$ 2,877,294
Sales and Use Taxes	1,657,703	-
System Improvement Fees	103,499	17,753
(Water Improvement not to exceed 15% of total revenues)		
Investment Earnings	17,434	1,301
Cash in Lieu of Fees	5,202	-
Other Revenues	<u>92</u>	<u>-</u>
Total Revenues	<u>5,265,077</u>	<u>2,896,348</u>
<u>Expenses</u>		
Operating Expenses	(2,501,228)	(2,541,205)
Less: Discretionary Internal Charges		
(Management Fees, Fleet Maintenance, Information Systems)	193,568	186,143
Less: Depreciation	<u>726,542</u>	<u>1,060,418</u>
Net Expenses	<u>(1,581,118)</u>	<u>(1,294,644)</u>
Net Revenues	<u>3,683,959</u>	<u>1,601,704</u>
<u>Debt Service Requirements (Parity and Subordinate)</u>		
2007 CWRPDA Note Payable	-	1,330,096
2003 CWRPDA Note Payable	111,057	-
2012 CWRPDA Note Payable - Interest Bearing	1,321,557	-
2012 CWRPDA Note Payable - (Fed)	119,572	-
2015 COP's	208,591	-
Meter Retrofit Lease Payable	<u>105,018</u>	<u>-</u>
Total Debt Service	1,865,795	1,330,096
Required Coverage	<u>110%</u>	<u>110%</u>
(Water 100% without System Improvement Fees)		
Debt Service Coverage Amount	<u>2,052,374</u>	<u>1,463,105</u>
Net Revenue Excess (Shortfall)	<u>\$ 1,631,585</u>	<u>\$ 138,599</u>

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OTHER SUPPLEMENTARY INFORMATION

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

With Comparative Totals for December 31, 2015

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>VISITOR IMPROVEMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>
ASSETS				
Cash and Investments	\$ 111,067	\$ 587,406	\$ 280,571	\$ 77,945
Property Taxes Receivable	-	-	-	46,244
Due from Other Governments	-	-	-	192
TOTAL ASSETS	<u>\$ 111,067</u>	<u>\$ 587,406</u>	<u>\$ 280,571</u>	<u>\$ 124,381</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ 1,485	\$ 1,176	\$ 3,131
DEFERRED INFLOWS				
Deferred Revenue - Property Taxes	-	-	-	46,244
FUND BALANCE				
Nonspendable:				
Cemetery Perpetual Care	-	-	-	-
Restricted for:				
Parks and Recreation	-	-	-	-
Assigned for:				
Subsequent Year's Expenditures	-	-	23,476	18,940
Economic Development	-	585,921	255,919	56,066
TOTAL FUND BALANCE	<u>111,067</u>	<u>585,921</u>	<u>279,395</u>	<u>75,006</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 111,067</u>	<u>\$ 587,406</u>	<u>\$ 280,571</u>	<u>\$ 124,381</u>

See the accompanying Independent Auditors' Report.

SPECIAL REVENUE FUNDS			PERMANENT	TOTALS	
URBAN					
TOURISM AND	RENEWAL	PERPETUAL			
INDUSTRY	AUTHORITY	CARE FUND	2016	2015	
\$ 416,370	\$ 180,870	\$ 225,879	\$ 1,880,108	\$ 1,589,972	
-	-	-	46,244	45,834	
-	-	-	192	199	
<u>\$ 416,370</u>	<u>\$ 180,870</u>	<u>\$ 225,879</u>	<u>\$ 1,926,544</u>	<u>\$ 1,636,005</u>	
\$ 289	\$ -	\$ -	\$ 6,081	\$ 2,638	
-	-	-	46,244	45,834	
-	-	225,879	225,879	224,028	
-	-	-	-	97,311	
24,491	-	-	66,907	214,006	
<u>391,590</u>	<u>180,870</u>	<u>-</u>	<u>1,470,366</u>	<u>1,052,188</u>	
<u>416,081</u>	<u>180,870</u>	<u>225,879</u>	<u>1,874,219</u>	<u>1,587,533</u>	
<u>\$ 416,370</u>	<u>\$ 180,870</u>	<u>\$ 225,879</u>	<u>\$ 1,926,544</u>	<u>\$ 1,636,005</u>	

CITY OF RIFLE, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCESNONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	SPECIAL REVENUE FUNDS			
	CONSERVATION TRUST	ECONOMIC DEVELOPMENT	VISITOR IMPROVEMENT	DOWNTOWN DEVELOPMENT
REVENUES				
Taxes	\$ -	\$ -	\$ 150,830	\$ 42,708
Intergovernmental	103,568	25,000	-	1,500
Charges for Services	-	-	-	-
Miscellaneous	188	135,286	472	1,933
TOTAL REVENUES	<u>103,756</u>	<u>160,286</u>	<u>151,302</u>	<u>46,141</u>
EXPENDITURES				
Economic Development and Assistance	-	44,100	64,348	49,920
Capital Outlay	-	2,330	-	4,954
TOTAL EXPENDITURES	<u>-</u>	<u>46,430</u>	<u>64,348</u>	<u>54,874</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>103,756</u>	<u>113,856</u>	<u>86,954</u>	<u>(8,733)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	7,000
Transfers Out	(90,000)	-	(56,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(90,000)</u>	<u>-</u>	<u>(56,200)</u>	<u>7,000</u>
CHANGE IN FUND BALANCES	13,756	113,856	30,754	(1,733)
FUND BALANCE (DEFICIT), Beginning	97,311	472,065	248,641	76,739
FUND BALANCE (DEFICIT), Ending	<u>\$ 111,067</u>	<u>\$ 585,921</u>	<u>\$ 279,395</u>	<u>\$ 75,006</u>

See the accompanying Independent Auditors' Report.

SPECIAL REVENUE FUNDS			PERMANENT	TOTALS	
TOURISM AND INDUSTRY	ENERGY EFFICIENCY	URBAN RENEWAL AUTHORITY	PERPETUAL CARE FUND	2016	2015
\$ 182,568	\$ -	\$ 84,028	\$ -	\$ 460,134	\$ 435,065
-	-	-	-	130,068	138,030
-	-	-	1,851	1,851	4,647
663	-	327	-	138,869	35,615
<u>183,231</u>	<u>-</u>	<u>84,355</u>	<u>1,851</u>	<u>730,922</u>	<u>613,357</u>
52,047	-	38,337	-	248,752	241,512
-	-	-	-	7,284	114,143
<u>52,047</u>	<u>-</u>	<u>38,337</u>	<u>-</u>	<u>256,036</u>	<u>355,655</u>
131,184	-	46,018	1,851	474,886	257,702
-	-	-	-	7,000	37,000
<u>(49,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,200)</u>	<u>(108,000)</u>
<u>(49,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(188,200)</u>	<u>(71,000)</u>
82,184	-	46,018	1,851	286,686	186,702
333,897	-	134,852	224,028	1,587,533	1,400,831
<u>\$ 416,081</u>	<u>\$ -</u>	<u>\$ 180,870</u>	<u>\$ 225,879</u>	<u>\$ 1,874,219</u>	<u>\$ 1,587,533</u>

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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.

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.

Economic Development Fund - This fund accounts for revenues and expenditures related to economic development projects.

Visitor Improvement Fund -- This fund accounts for expenditures related to visitor improvements and attractions, historic preservation, special events, city beautification projects, and city promotion expenditures funded through a 2.5% lodging tax implemented in 2008.

Downtown Development Agency Fund -- This fund receives an allocation of property taxes to be used for downtown development.

Rifle Information Center Fund -- This fund accounts for the operations of the City information center.

Energy Efficiency Fund -- This fund accounts for the activity of any Energy Efficiency Grants awarded the City.

Urban Renewal Authority Fund -- This fund accounts for the activity of the Urban Renewal Authority with operations beginning in 2008.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
CONSERVATION TRUST FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ 95,000	\$ 103,568	\$ 8,568	\$ 89,280
Miscellaneous	-	188	188	30
TOTAL REVENUES	95,000	103,756	8,756	89,310
OTHER FINANCING SOURCES (USES)				
Transfers Out	(90,000)	(90,000)	-	-
CHANGE IN FUND BALANCE	5,000	13,756	8,756	89,310
FUND BALANCE, Beginning	102,001	97,311	(4,690)	8,001
FUND BALANCE, Ending	<u>\$ 107,001</u>	<u>\$ 111,067</u>	<u>\$ 4,066</u>	<u>\$ 97,311</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
ECONOMIC DEVELOPMENT FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ -	\$ 25,000	\$ 25,000	\$ 47,250
Miscellaneous	140,000	135,286	(4,714)	34,540
TOTAL REVENUES	<u>140,000</u>	<u>160,286</u>	<u>20,286</u>	<u>81,790</u>
EXPENDITURES				
Economic Development and Assistance	52,000	44,100	7,900	41,134
Capital Outlay	160,000	2,330	157,670	111,185
TOTAL EXPENDITURES	<u>212,000</u>	<u>46,430</u>	<u>165,570</u>	<u>152,319</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(72,000)	113,856	185,856	(70,529)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	25,000
CHANGE IN FUND BALANCE	(72,000)	113,856	185,856	(45,529)
FUND BALANCE, Beginning	<u>424,923</u>	<u>472,065</u>	<u>47,142</u>	<u>517,594</u>
FUND BALANCE, Ending	<u>\$ 352,923</u>	<u>\$ 585,921</u>	<u>\$ 232,998</u>	<u>\$ 472,065</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
VISITOR IMPROVEMENT FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 115,000	\$ 150,830	\$ 35,830	\$ 139,168
Miscellaneous	-	472	472	162
TOTAL REVENUES	115,000	151,302	36,302	139,330
EXPENDITURES				
Economic Development and Assistance	114,994	64,348	50,646	46,487
Contingency Reserve	50,000	-	50,000	-
TOTAL EXPENDITURES	164,994	64,348	100,646	46,487
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(49,994)	86,954	136,948	92,843
OTHER FINANCING SOURCES (USES)				
Transfers Out	(56,200)	(56,200)	-	(34,000)
CHANGE IN FUND BALANCE	(106,194)	30,754	136,948	58,843
FUND BALANCE, Beginning	244,077	248,641	4,564	189,798
FUND BALANCE, Ending	\$ 137,883	\$ 279,395	\$ 141,512	\$ 248,641

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
DOWNTOWN DEVELOPMENT AUTHORITY FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 48,647	\$ 42,708	\$ (5,939)	\$ 41,835
Intergovernmental	1,500	1,500	-	1,500
Miscellaneous	2,000	1,933	(67)	568
TOTAL REVENUES	<u>52,147</u>	<u>46,141</u>	<u>(6,006)</u>	<u>43,903</u>
EXPENDITURES				
Economic Development and Assistance	47,060	49,920	(2,860)	53,956
Capital Outlay	19,400	4,954	14,446	2,958
Contingency Reserve	10,000	-	10,000	-
TOTAL EXPENDITURES	<u>76,460</u>	<u>54,874</u>	<u>21,586</u>	<u>56,914</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(24,313)</u>	<u>(8,733)</u>	<u>15,580</u>	<u>(13,011)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	7,000	7,000	-	12,000
Transfers Out	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>(13,000)</u>
CHANGE IN FUND BALANCE	(17,313)	(1,733)	15,580	(26,011)
FUND BALANCE, Beginning	<u>76,366</u>	<u>76,739</u>	<u>373</u>	<u>102,750</u>
FUND BALANCE, Ending	<u>\$ 59,053</u>	<u>\$ 75,006</u>	<u>\$ 15,953</u>	<u>\$ 76,739</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
TOURISM AND INDUSTRY FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 174,000	\$ 182,568	\$ 8,568	\$ 170,905
Miscellaneous	-	663	663	247
TOTAL REVENUES	174,000	183,231	9,231	171,152
EXPENDITURES				
Economic Development and Assistance	122,999	52,047	70,952	97,460
Capital Outlay	5,000	-	5,000	-
TOTAL EXPENDITURES	127,999	52,047	75,952	97,460
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	46,001	131,184	85,183	73,692
OTHER FINANCING SOURCES (USES)				
Transfers Out	(49,000)	(49,000)	-	(49,000)
CHANGE IN FUND BALANCE	(2,999)	82,184	85,183	24,692
FUND BALANCE, Beginning	337,745	333,897	(3,848)	309,205
FUND BALANCE, Ending	\$ 334,746	\$ 416,081	\$ 81,335	\$ 333,897

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
URBAN RENEWAL AUTHORITY FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 81,000	\$ 84,028	\$ 3,028	\$ 83,157
Miscellaneous	-	327	327	66
TOTAL REVENUES	<u>81,000</u>	<u>84,355</u>	<u>3,355</u>	<u>83,223</u>
EXPENDITURES				
Economic Development and Assistance	86,500	38,337	48,163	2,475
Capital Outlay	10,000	-	10,000	-
TOTAL EXPENDITURES	<u>96,500</u>	<u>38,337</u>	<u>58,163</u>	<u>2,475</u>
CHANGE IN FUND BALANCE	(15,500)	46,018	61,518	80,748
FUND BALANCE, Beginning	<u>124,284</u>	<u>134,852</u>	<u>10,568</u>	<u>54,104</u>
FUND BALANCE, Ending	<u>\$ 108,784</u>	<u>\$ 180,870</u>	<u>\$ 72,086</u>	<u>\$ 134,852</u>

See the accompanying Independent Auditors' Report.

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CAPITAL PROJECTS FUND

Capital Fund – Revenues of this fund consist primarily of transfers from the General Fund to provide for long-term capital asset acquisition.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE
CAPITAL IMPROVEMENT FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Miscellaneous	\$ -	\$ 5,343	\$ 5,343	\$ 1,896
EXPENDITURES				
Capital Outlay	-	-	-	427,564
Contingency Reserve	800,000	-	800,000	-
TOTAL EXPENDITURES	800,000	-	800,000	427,564
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(800,000)	5,343	805,343	(425,668)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,000,000	2,000,000	-	-
CHANGE IN FUND BALANCE	1,200,000	2,005,343	805,343	(425,668)
FUND BALANCE, Beginning	1,923,524	1,947,856	24,332	2,373,524
FUND BALANCE, Ending	<u>\$ 3,123,524</u>	<u>\$ 3,953,199</u>	<u>\$ 829,675</u>	<u>\$ 1,947,856</u>

See the accompanying Independent Auditors' Report.

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:

Water Fund -- This fund accounts for the provision of water services to City residents.

Wastewater Fund -- This fund accounts for the provision of sewer services to City residents.

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

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2015 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 2,650,000	\$ 2,967,704	\$ 317,704	\$ 2,857,609
Sale of Materials	12,000	7,744	(4,256)	15,065
Reimbursed Expenditures	10,000	(4,554)	(14,554)	22,279
Other Revenue	434,000	509,027	75,027	230,779
Sales and Use Taxes	1,583,000	1,657,703	74,703	1,551,797
System Improvement Fees	26,000	103,499	77,499	165,224
Investment Earnings	15,000	17,434	2,434	7,156
Cash in Lieu of Fees	8,000	5,202	(2,798)	10,620
Federal Grants	1,305,000	1,066,445	(238,555)	-
State Grants	2,564,350	1,356,237	(1,208,113)	2,307,474
Other Revenues	-	92	92	14,682
TOTAL REVENUES	8,607,350	7,686,533	(920,817)	7,182,685
EXPENDITURES				
Personal Services	730,270	622,070	108,200	769,181
Supplies	295,100	231,588	63,512	246,374
Purchased Services	899,417	626,069	273,348	730,302
Other Operating Expenses	50,000	30,150	19,850	8,473
Management Fees	105,000	105,000	-	104,996
Fleet Maintenance	50,883	50,883	-	34,077
Info Tech Maintenance	37,685	37,685	-	31,258
Acquisition of Capital Assets	23,637,000	20,383,527	3,253,473	14,144,752
Debt Principal	1,318,472	1,387,730	(69,258)	1,289,090
Interest Expense	680,804	661,870	18,934	655,136
Transfers Out	31,800	31,800	-	31,814
TOTAL EXPENDITURES	27,836,431	24,168,372	3,668,059	18,045,453
NET INCOME (LOSS) - Budgetary Basis	\$ (19,229,081)	(16,481,839)	\$ 2,747,242	(10,862,768)
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		20,312,286		14,129,159
Amortization of Debt Premiums		69,258		69,258
Debt Principal		1,387,730		1,289,090
Depreciation Expense		(726,542)		(685,553)
NET INCOME - GAAP Basis		4,560,893		3,939,186
NET POSITION, Beginning		31,487,611		27,548,425
NET POSITION, Ending		\$ 36,048,504		\$ 31,487,611

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**WASTEWATER FUND**

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2015 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 2,800,000	\$ 2,875,056	\$ 75,056	\$ 2,778,046
Other Operating Revenues	8,000	2,238	(5,762)	8,153
System Improvement Fees	50,000	17,753	(32,247)	104,271
Investment Earnings	5,000	1,301	(3,699)	1,017
Other Revenues	-	-	-	9,433
TOTAL REVENUES	2,863,000	2,896,348	33,348	2,900,920
EXPENDITURES				
Personal Services	619,125	639,457	(20,332)	523,680
Supplies	71,000	85,483	(14,483)	77,039
Purchased Services	605,934	542,396	63,538	563,613
Other Operating Expenses	61,000	26,614	34,386	23,183
Management Fees	105,000	105,000	-	104,996
Fleet Maintenance	30,896	30,896	-	20,691
Info Tech Maintenance	50,247	50,247	-	41,676
Acquisition of Capital Assets	-	22,222	(22,222)	137,755
Amortization of Debt Premiums	(35,614)	(35,614)	-	(35,614)
Debt Principal	806,612	806,613	(1)	780,377
Interest Expense	525,394	488,352	37,042	539,606
Transfers Out	31,900	31,900	-	31,790
TOTAL EXPENDITURES	2,871,494	2,793,566	77,928	2,808,792
NET INCOME (LOSS) - Budgetary Basis	\$ (8,494)	102,782	\$ 111,276	92,128
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		21,528		91,408
Debt Principal		806,613		780,377
Depreciation Expense		(1,060,418)		(1,056,201)
NET INCOME (LOSS) - GAAP Basis		(129,495)		(92,288)
NET POSITION, Beginning		18,044,214		18,136,502
NET POSITION, Ending		\$ 17,914,719		\$ 18,044,214

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

SANITATION FUND

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016			2015 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 530,500	\$ 537,408	\$ 6,908	\$ 506,539
Other Revenue	1,000	1,124	124	1,271
Investment Earnings	-	1,458	1,458	670
TOTAL REVENUES	<u>531,500</u>	<u>539,990</u>	<u>8,490</u>	<u>508,480</u>
EXPENDITURES				
Personal Services	15,124	15,293	(169)	15,144
Purchased Services	533,999	517,951	16,048	455,791
Other Operating Expenses	-	4	(4)	29
Management Fees	9,500	9,160	340	9,160
Transfers Out	<u>2,000</u>	<u>2,000</u>	-	<u>2,000</u>
TOTAL EXPENDITURES	<u>560,623</u>	<u>544,408</u>	<u>16,215</u>	<u>482,124</u>
NET INCOME (LOSS) - Budgetary Basis	<u>\$ (29,123)</u>	<u>(4,418)</u>	<u>\$ 24,705</u>	26,356
NET POSITION, Beginning		<u>825,674</u>		<u>799,318</u>
NET POSITION, Ending		<u>\$ 821,256</u>		<u>\$ 825,674</u>

See the 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.

Fleet Maintenance Fund -- This fund accounts for fleet equipment charges paid by City departments to offset maintenance and depreciation expenses.

Information Technology Fund -- This fund will account for information technology equipment charges paid by City departments to offset maintenance and depreciation expenses.

CITY OF RIFLE, COLORADO

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

December 31, 2016

With Comparative Totals for December 31, 2015

	FLEET MAINTENANCE	INFORMATION TECHNOLOGY	TOTALS	
			2016	2015
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 409,200	\$ 310,455	\$ 719,655	\$ 591,370
Inventory	31,152	-	31,152	38,450
TOTAL CURRENT ASSETS	<u>440,352</u>	<u>310,455</u>	<u>750,807</u>	<u>629,820</u>
PROPERTY AND EQUIPMENT	1,638,966	490,444	2,129,410	1,905,470
Less Accumulated Depreciation	(1,157,309)	(226,309)	(1,383,618)	(1,185,679)
NET PROPERTY AND EQUIPMENT	<u>481,657</u>	<u>264,135</u>	<u>745,792</u>	<u>719,791</u>
TOTAL ASSETS	<u>922,009</u>	<u>574,590</u>	<u>1,496,599</u>	<u>1,349,611</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	10,479	35,149	45,628	51,188
Accrued Wages & Comp. Absences	3,065	9,217	12,282	19,749
TOTAL LIABILITIES	<u>13,544</u>	<u>44,366</u>	<u>57,910</u>	<u>70,937</u>
NET POSITION				
Net Investment in Capital Assets	481,657	264,135	745,792	719,791
Unrestricted	<u>426,808</u>	<u>266,089</u>	<u>692,897</u>	<u>558,883</u>
TOTAL NET POSITION	<u>\$ 908,465</u>	<u>\$ 530,224</u>	<u>\$ 1,438,689</u>	<u>\$ 1,278,674</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

			<u>TOTALS</u>	
	<u>FLEET MAINTENANCE</u>	<u>INFORMATION TECHNOLOGY</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUES				
Charges for Services	\$ 395,295	\$ 678,088	\$ 1,073,383	\$ 930,537
OPERATING EXPENSES				
Personal Services	89,018	200,368	289,386	301,097
Supplies	178,754	25,909	204,663	194,835
Purchased Services	37,935	79,774	117,709	114,734
Other Expenses	-	138,736	138,736	156,881
Info Tech Maintenance	6,281	-	6,281	5,210
Acquisition of Capital Assets	6,018	15,178	21,196	28,112
Depreciation	134,558	39,201	173,759	137,767
TOTAL OPERATING EXPENSES	<u>452,564</u>	<u>499,166</u>	<u>951,730</u>	<u>938,636</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(57,269)</u>	<u>178,922</u>	<u>121,653</u>	<u>(8,099)</u>
NONOPERATING INCOME (EXPENSE)				
Investment Earnings	744	562	1,306	519
Gain (Loss) on Disposal of Capital Assets	-	50	50	99
Other Revenues	623	29	652	25,371
NONOPERATING INCOME (EXPENSE)	<u>1,367</u>	<u>641</u>	<u>2,008</u>	<u>25,989</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(55,902)</u>	<u>179,563</u>	<u>123,661</u>	<u>17,890</u>
TRANSFERS				
Transfers In	36,354	-	36,354	-
NET INCOME (LOSS)	<u>(19,548)</u>	<u>179,563</u>	<u>160,015</u>	<u>17,890</u>
NET POSITION, Beginning	<u>928,013</u>	<u>350,661</u>	<u>1,278,674</u>	<u>1,260,784</u>
NET POSITION, Ending	<u>\$ 908,465</u>	<u>\$ 530,224</u>	<u>\$ 1,438,689</u>	<u>\$ 1,278,674</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	FLEET MAINTENANCE	INFORMATION TECHNOLOGY	TOTAL	
			2016	2015
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 395,295	\$ 678,088	\$ 1,073,383	\$ 930,537
Cash Payments to Suppliers and Employees	(232,773)	(254,074)	(486,847)	(494,333)
Cash Payments to Employees	(89,111)	(207,742)	(296,853)	(293,454)
Net Cash Provided by Operating Activities	<u>73,411</u>	<u>216,272</u>	<u>289,683</u>	<u>142,750</u>
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(184,965)	(14,795)	(199,760)	(196,540)
Transfers - Net	36,354	-	36,354	-
Proceeds From Sale of Capital Assets	-	50	50	99
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(148,611)</u>	<u>(14,745)</u>	<u>(163,356)</u>	<u>(196,441)</u>
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	<u>623</u>	<u>29</u>	<u>652</u>	<u>25,371</u>
Cash Flows From Investing Activities:				
Investment Income	<u>744</u>	<u>562</u>	<u>1,306</u>	<u>519</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,833)	202,118	128,285	(27,801)
CASH AND EQUIVALENTS, Beginning	<u>483,033</u>	<u>108,337</u>	<u>591,370</u>	<u>619,171</u>
CASH AND EQUIVALENTS, Ending	<u>\$ 409,200</u>	<u>\$ 310,455</u>	<u>\$ 719,655</u>	<u>\$ 591,370</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	<u>\$ (57,269)</u>	<u>\$ 178,922</u>	<u>\$ 121,653</u>	<u>\$ (8,099)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	134,558	39,201	173,759	137,767
(Increase) Decrease in:				
Inventory	7,297	-	7,297	35
Increase (Decrease) in:				
Accounts Payable	(11,082)	5,523	(5,559)	5,404
Accrued Wages & Comp. Absences	(93)	(7,374)	(7,467)	7,643
Total Adjustments	<u>130,680</u>	<u>37,350</u>	<u>168,030</u>	<u>150,849</u>
Net Cash Provided by Operating Activities	<u>\$ 73,411</u>	<u>\$ 216,272</u>	<u>\$ 289,683</u>	<u>\$ 142,750</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

FLEET MAINTENANCE FUND

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2015 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 402,600	\$ 395,295	\$ (7,305)	\$ 409,567
Investment Earnings	-	744	744	422
Other Revenues	-	623	623	25,371
Transfers In	36,354	36,354	-	-
TOTAL REVENUES	<u>438,954</u>	<u>433,016</u>	<u>(5,938)</u>	<u>435,360</u>
EXPENDITURES				
Personal Services	83,315	89,018	(5,703)	84,725
Supplies	253,800	178,754	75,046	171,459
Purchased Services	34,900	37,935	(3,035)	33,941
Info Tech Maintenance	6,280	6,281	(1)	5,210
Acquisition of Capital Assets	191,029	190,983	46	165,683
TOTAL EXPENDITURES	<u>569,324</u>	<u>502,971</u>	<u>66,353</u>	<u>461,018</u>
NET INCOME - Budgetary Basis	<u>\$ (130,370)</u>	<u>(69,955)</u>	<u>\$ 60,415</u>	<u>(25,658)</u>
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		184,965		161,953
Depreciation Expense		<u>(134,558)</u>		<u>(90,115)</u>
NET INCOME (LOSS) - GAAP Basis		(19,548)		46,180
NET POSITION, Beginning		<u>928,013</u>		<u>881,833</u>
NET POSITION, Ending		<u>\$ 908,465</u>		<u>\$ 928,013</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
INFORMATION TECHNOLOGY FUND

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2015 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 537,426	\$ 678,088	\$ 140,662	\$ 520,970
Investment Earnings	-	562	562	97
Gain (Loss) on Disposal of Capital Assets	-	50	50	99
Other Revenues	-	29	29	-
TOTAL REVENUES	537,426	678,729	141,303	521,166
EXPENDITURES				
Personal Services	241,820	200,368	41,452	216,372
Supplies	33,800	25,909	7,891	23,376
Purchased Services	125,500	79,774	45,726	80,793
Other Expenses	136,300	138,736	(2,436)	156,881
Acquisition of Capital Assets	124,450	29,973	94,477	58,969
TOTAL EXPENDITURES	661,870	474,760	187,110	536,391
NET INCOME (LOSS) - Budgetary Basis	\$ (124,444)	203,969	\$ 328,413	(15,225)
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		14,795		34,587
Depreciation Expense		(39,201)		(47,652)
NET INCOME - GAAP Basis		179,563		(28,290)
NET POSITION, Beginning		350,661		378,951
NET POSITION, Ending		\$ 530,224		\$ 350,661

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

CITY OF RIFLE, COLORADO

**SUPPLEMENTAL SCHEDULES REQUIRED
PURSUANT TO BOND AGREEMENTS
(Continuing Disclosure Undertaking)
December 31, 2016**

Historical Sales and Use Tax Revenues

Year	Total Sales and Use Tax Revenues	Percent Change	Original Sales (2.5%) and Use Tax Revenues (1)	One Half of Original Sales and Use Tax Revenues (2)
2008	\$ 9,911,427		\$ 7,078,526	\$ 3,539,263
2009 (3)	6,991,427	-29.5%	4,995,437	\$ 2,497,719
2010	7,047,547	0.8%	5,014,127	\$ 2,507,064
2011	7,119,842	1.0%	5,124,155	\$ 2,562,078
2012	7,095,665	-0.3%	5,068,360	\$ 2,534,180
2013	7,548,030	6.4%	4,436,972	\$ 2,218,486
2014	8,895,720	17.9%	5,232,776	\$ 2,616,388
2015	8,790,860	-1.2%	5,171,094	\$ 2,585,547
2016	7,906,687	-10.1%	4,650,992	\$ 2,325,496

Source: City Finance Department

- (1) The Original Sales and Use Tax Revenue consists of revenue generated from the 2.5% sales and use tax rate in effect at the time of issuance of the Series 2003 Sales Tax Revenue Bonds.
 (2) The City has pledged one-half of the revenue generated from its Original Sales Tax revenues to the Series 2013 Sales Tax Refunding Bonds.
 (3) The decrease was primarily due to the economic downturn or recession the City experienced during 2009 resulting in a decrease in Sales Tax revenues and building related revenues.

History of Street Improvement Fund Revenues, Expenditures and Changes in Fund Balances

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
Revenues									
Taxes	\$ 1,419,187	\$ 996,681	\$ 1,015,723	\$ 996,736	\$ 1,012,829	\$ 964,364	\$ 1,046,199	\$ 1,033,991	\$ 1,083,759
Special Assessments	68,672	70,515	56,122	55,403	41,155	35,301	30,747	27,025	-
Intergovernmental	1,175,506	617,038	-	245,829	263,120	39,087	231,616	6,000,000	65,000
Charges for Services	251,144	27,614	25,056	89,654	18,029	36,158	27,487	99,345	61,017
Miscellaneous	201,632	84,212	38,437	34,278	34,318	4,189	(273)	27,046	86,728
Total	3,116,141	1,796,060	1,135,338	1,421,900	1,369,451	1,079,099	1,335,776	7,187,407	1,296,504
Expenditures									
Public Works	72,946	478,224	101,411	130,097	99,032	167,191	122,890	135,913	482,817
Capital Outlay	5,994,738	534,698	1,065,156	1,174,265	1,123,779	528,415	785,219	867,830	1,302,653
Debt Service	378,676	379,751	376,801	378,026	378,226	294,195	298,100	297,700	297,500
Total	6,446,360	1,392,673	1,543,368	1,682,388	1,601,037	989,801	1,206,209	1,301,443	2,082,970
Change in Fund Balance Before Other Financing Sources (Uses)	(3,330,219)	403,387	(408,030)	(260,488)	(231,586)	89,298	129,567	5,885,964	(786,466)
Other Financing Sources (Uses)									
Bond Proceeds	-	-	-	-	-	1,693,194	-	-	-
Payment to Escrow Agent	-	-	-	-	-	(2,028,601)	-	-	-
Transfers In	1,314,000	23,762	-	-	-	-	250,000	-	-
Transfers Out	(625,000)	(25,374)	(25,374)	(25,374)	(25,374)	(25,374)	(75,674)	(25,374)	-
Change in Fund Balance	(2,641,219)	401,775	(433,404)	(285,862)	(256,960)	(271,483)	303,893	5,860,590	(786,466)
Beginning Fund Balance	6,090,098	3,448,879	3,850,654	3,417,250	3,021,779	2,764,819	2,493,336	2,847,530	8,708,120
Prior Period Restatement (2)	-	-	-	(109,609)	-	-	-	-	-
Restated Beginning Balance	6,090,098	3,448,879	3,850,654	3,307,641	3,021,779	2,764,819	2,493,336	2,847,530	8,708,120
Ending Fund Balance	\$ 3,448,879	\$ 3,850,654	\$ 3,417,250	\$ 3,021,779	\$ 2,764,819	\$ 2,493,336	\$ 2,797,229	\$ 8,708,120	\$ 7,921,654

Source: City's Basic Financial Statements, 2008-2013

- (1) The decrease was primarily due to the economic downturn or recession the City experienced during 2009 resulting in a decrease in Sales Tax revenues and building related revenues.
 (2) A prior period adjustment was made as the result of a sales tax refund of \$767,263 due to a vendor and two affiliates who had been paying sales tax under the assumption they were in the City limits which was found to be incorrect. The amount of the refund attributable to the Street Improvement Fund was \$109,609.
 (3) These amounts represent the refunding of the 2003 Sales Tax Revenue Bonds with the 2013 Sales Tax Refunding Bonds.

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

SUPPLEMENTAL SCHEDULES REQUIRED
PURSUANT TO BOND AGREEMENTS
(Continuing Disclosure Undertaking)
December 31, 2016

Combined Statement of Debt

	Amount Outstanding (1) (2)
<u>Debt Supported by the City's Water Fund</u>	
2002 Interim Financing by Colorado Water Resources and Power Development Authority	\$ 634,167
2012 Series A Colorado Water Resource and Power Development Authority (Loan #D12A104)	19,310,049
2012 Series A Colorado Water Resource and Power Development Authority (Loan #D12F104)	1,630,333
<u>Debt Supported by the City's Sewer Fund</u>	
1997 Colorado Water Resource and Power Development Loan	12,021,352
<u>Debt Supported by the City's Street Improvement Fund</u>	
2013 Sales Tax Refunding Bonds	580,000
Total	<u>\$ 34,175,901</u>

Source: City Finance Department

(1) The City has defeased certain bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust accounts' assets and the liability for the defeased bonds are not included in the City's financial statements.

(2) The City also has authority to enter into installment or lease purchase contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment.

As of December 31, 2015, the City has two capital leases outstanding for water meters and a parks facility with a combined balance of \$1,000,747

The City also entered into a Certificate of Participation Agreement related to the water project with an outstanding balance of \$4,975,000

See the accompanying Independent Auditors' Report.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: CITY OF RIFLE
	YEAR ENDING : Dec-16

This Information From The Records Of: City of Rifle	Prepared By: Teresa Beecraft, finance Director Phone: 970.665.6447
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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
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ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,785,336
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,196,996
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	7,670
2. General fund appropriations	0	b. Snow and ice removal	57,785
3. Other local imposts (from page 2)	1,538,046	c. Other	160,185
4. Miscellaneous local receipts (from page 2)	127,198	d. Total (a. through c.)	225,639
5. Transfers from toll facilities	0	4. General administration & miscellaneous	264,299
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	951,932
a. Bonds - Original Issues	0	6. Total (1 through 5)	4,424,203
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	17,200
7. Total (1 through 6)	1665243.43	b. Redemption	280,000
B. Private Contributions	0	c. Total (a. + b.)	297200
C. Receipts from State government (from page 2)	400,700	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	2,065,943	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	297200
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	4,721,403

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	1,990,000	1,645,000	2,500,000	1,135,000
1. Bonds (Refunding Portion)		1,645,000	1,065,000	580,000
B. Notes (Total)	0	0	0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	8,708,120	2,065,944	4,721,403	6,052,661	-

Notes and Comments:

See the accompanying Independent Auditors' Report.

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
Dec-16

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	14,953
b. Other local imposts:		b. Traffic Fines & Penalties	110,218
1. Sales Taxes	1,105,136	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	61,017	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	371,893	g. Other Misc. Receipts	2,027
6. Total (1. through 5.)	1,538,046	h. Other	0
c. Total (a. + b.)	1,538,046	i. Total (a. through h.)	127,198
	(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	295,091	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	40,609	d. Federal Transit Admin	0
d. DOLA Grants	65,000	e. U.S. Corps of Engineers	0
e. Garfield FMLD Grants	0	f. Other Federal	0
f. Cdot	0		
g. Total (a. through f.)	105,609	g. Total (a. through g.)	0
4. Total (1. + 2. + 3.f)	400,700	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		163,371	163,371
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		0	0
(3). System Preservation		1,027,285	1,027,285
(4). System Enhancement & Operation		594,680	594,680
(5). Total Construction (1) + (2) + (3) + (4)	0	1,621,965	1,621,965
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,785,336	1,785,336
			(Carry forward to page 1)

Notes and Comments: