Town of Elizabeth, Colorado

Financial Statements
with Independent Auditors' Report

December 31, 2017

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HINKLE & COMPANY PC
Strategic Business Advisors

Town of Elizabeth, Colorado
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HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Honorable Mayor and Members of the Board of Trustees
Town of Elizabeth
Elizabeth, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Elizabeth as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Elizabeth, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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.

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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, and each major fund of the Town of Elizabeth as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elizabeth's basic financial statements. The supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 basic financial statements as a whole.

Hinkle & Company, PC

Greenwood Village, Colorado
July 27, 2018

Management's Discussion and Analysis

This discussion and analysis of the financial performance of the Town of Elizabeth, Colorado (Town) provides an overview of the Town's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Net Position of the Town totaled $19,079,235 at December 31, 2017.
- The Net Position of the Town increased by $1,578,286 (9.0%) during 2017.
- At December 31, 2017, the Town's governmental funds reported combined ending fund balances of $8,134,206. This marked an increase of $913,242 (12.6%) from the prior year's ending governmental fund balances.
- The Town's Water and Wastewater Fund's net position increased by $285,588 (4.8%) to $6,229,579 during 2017.

USING THIS ANNUAL REPORT

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

Government-wide financial statements

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

The *Statement of Net Position* presents information on all of the Town's assets and liabilities and deferred inflows and outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town of Elizabeth that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety (police), public works, and parks and recreation. The business-type activities of the Town include water and wastewater operations.

Fund financial statements

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

Governmental Funds -- Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The unrestricted balances left at year-end are available for spending in future years. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide detailed short-term views of cash, operations, and basic services provided. Governmental fund statements show the reader whether there are more or fewer financial resources available at the end of a fiscal year that can be spent in the near future to finance government programs and objectives.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities* provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The Town of Elizabeth maintains four individual governmental funds. Information for these funds is presented by fund name in the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* because they all meet the criteria to be designated as major funds (General Fund, Street Maintenance Fund, Street Capital Improvement Fund, and Capital Improvement Fund).

Proprietary Funds -- The Town's water and wastewater utility services are reported in a proprietary fund; it focuses on overall economic position rather than year-end fund balances. An enterprise fund is the type of proprietary fund used to account for this fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements, only in a bit more detail.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

Other information
Budgetary comparison statements or schedules for all funds with budgeted expenditures/expenses are included following the "Notes to Financial Statements" to demonstrate each fund's compliance with adopted budgets and appropriations. For the year ended December 31, 2017, all funds had budgeted expenditures/expenses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Elizabeth, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $19,079,235 at the close of 2017. As shown below, the Town's financial position improved by $1,578,286 (9.0%) during 2017.

Town of Elizabeth's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 8,921,462	$ 7,766,865	$ 1,978,830	$ 1,550,289	$ 10,900,292	$ 9,317,154
Capital assets, net	8,861,998	8,821,003	8,192,809	8,605,533	17,054,807	17,426,536
Total assets	$17,783,460	$16,587,868	$10,171,639	$ 10,155,822	$ 27,955,099	$ 26,743,690
Deferred outflows of resources	$ 200,682	$ 206,368	$ -	$ -	$ 200,682	$ 206,368
Current liabilities	303,976	88,306	92,021	82,712	395,997	171,018
Noncurrent Liabilities	4,333,626	4,677,558	3,850,039	4,129,119	8,183,665	8,806,677
Total liabilities	$ 4,637,602	$ 4,765,864	$ 3,942,060	$ 4,211,831	$ 8,579,662	$ 8,977,695
Deferred inflows of resources	$ 496,884	$ 471,414	$ -	$ -	$ 496,884	$ 471,414
Net position:						
Net investment in capital assets	$ 4,890,333	$ 4,499,661	$ 4,350,139	$ 4,484,013	$ 9,240,472	$ 8,983,674
Restricted	3,838,352	3,491,438	45,000	43,400	3,883,352	3,534,838
Unrestricted	4,120,971	3,565,859	1,834,440	1,416,578	5,955,411	4,982,437
Total net position	$12,849,656	$11,556,958	$ 6,229,579	$ 5,943,991	$ 19,079,235	$ 17,500,949

A significant portion (48.4%) of the Town's total net position at December 31, 2017 is represented by its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The Town uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending.

Approximately 20.4% ($3,883,352) of the Town's total net position at the end of 2017 represents resources that are subject to external restrictions on how they may be used. They are primarily fund balance restrictions of sales taxes collected for street maintenance ($214,165), street improvements ($607,642), and capital improvements ($2,422,255), and debt service reserves required for the Town's Sales and Use Tax Revenue Bonds ($428,500). An additional $74,790 is restricted for parks and recreation and $136,000 for emergencies.

The remaining amount of the Town's total net position at the end of 2017 ($5,955,411) represents 31.2% of total net position and may be used to meet the Town's other ongoing obligations to residents, businesses, and creditors.

The following chart displays the changes in net position experienced by the Town over the last two fiscal years. An analysis of these changes follows for both its Governmental and Business-type Activities.

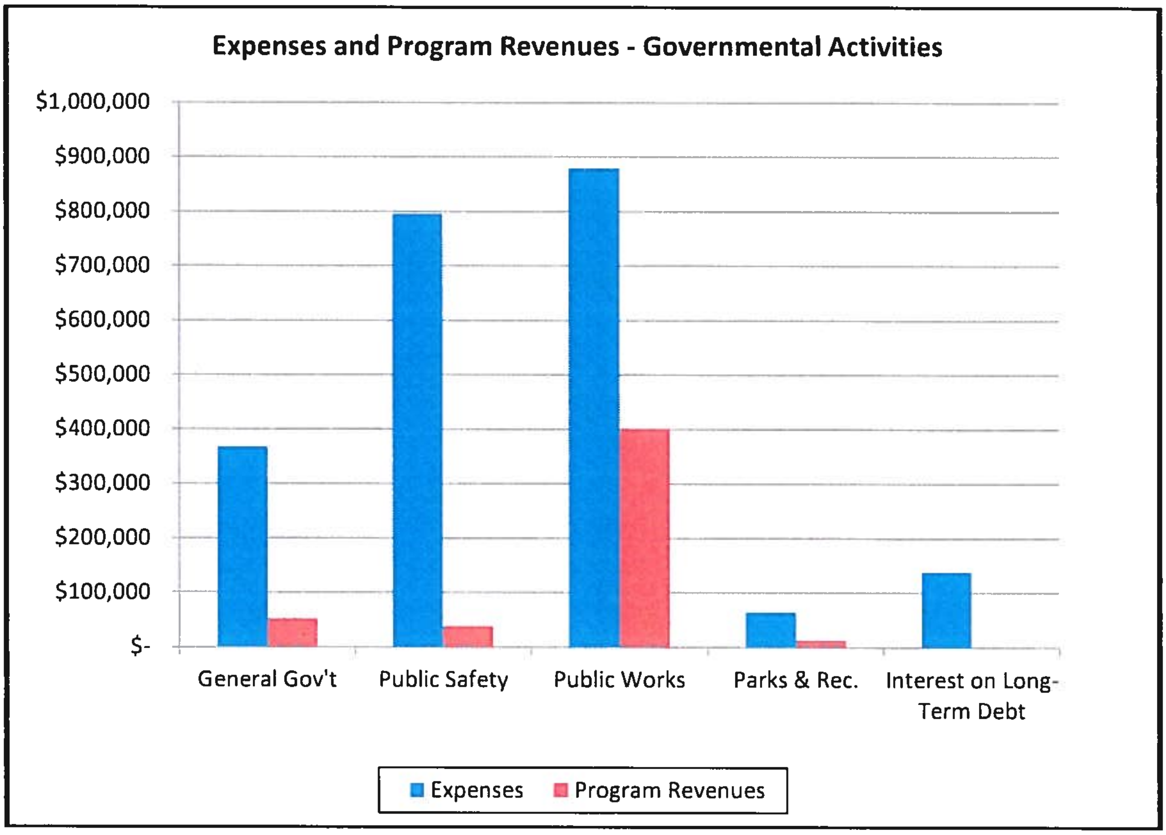
Town of Elizabeth's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	$ 109,141	$ 85,396	$ 1,072,806	$ 1,044,113	$ 1,181,947	$ 1,129,509
Operating grants & contributions	232,867	223,144	-	-	232,867	223,144
Capital grants & contributions	162,060	-	42,250	56,550	204,310	56,550
General revenues:						
Property taxes	465,731	447,131	-	-	465,731	447,131
Sales & use taxes	2,067,816	1,926,593	-	-	2,067,816	1,926,593
Other taxes	160,532	143,529	-	-	160,532	143,529
Public Improvement Fees	578,378	533,010	-	-	578,378	533,010
Other general revenues	106,525	43,948	14,274	3,606	120,799	47,554
Total revenues	$ 3,883,050	$ 3,402,751	$ 1,129,330	$ 1,104,269	$ 5,012,380	$ 4,507,020
Program expenses:						
General government	$ 367,820	$ 297,448	$ -	$ -	$ 367,820	$ 297,448
Public safety	795,207	666,732	-	-	795,207	666,732
Public w orks	879,278	906,709	-	-	879,278	906,709
Parks and Recreation	64,839	53,559	-	-	64,839	53,559
Water and w astew ater utility	-	-	1,187,720	1,196,558	1,187,720	1,196,558
Interest on long-term debt	139,230	150,589	-	-	139,230	150,589
Total expenses	$ 2,246,374	$ 2,075,037	$ 1,187,720	$ 1,196,558	$ 3,434,094	$ 3,271,595
Transfers In/(Out)	$ (343,978)	$ (343,413)	$ 343,978	$ 343,413	$ -	$ -
Increase/(decrease)in net position	$ 1,292,698	$ 984,301	$ 285,588	$ 251,124	$ 1,578,286	$ 1,235,425
Net Position, Beginning	11,556,958	10,572,657	5,943,991	5,692,867	17,500,949	16,265,524
Net Position, Ending	$ 12,849,656	$11,556,958	$ 6,229,579	$ 5,943,991	$19,079,235	$17,500,949

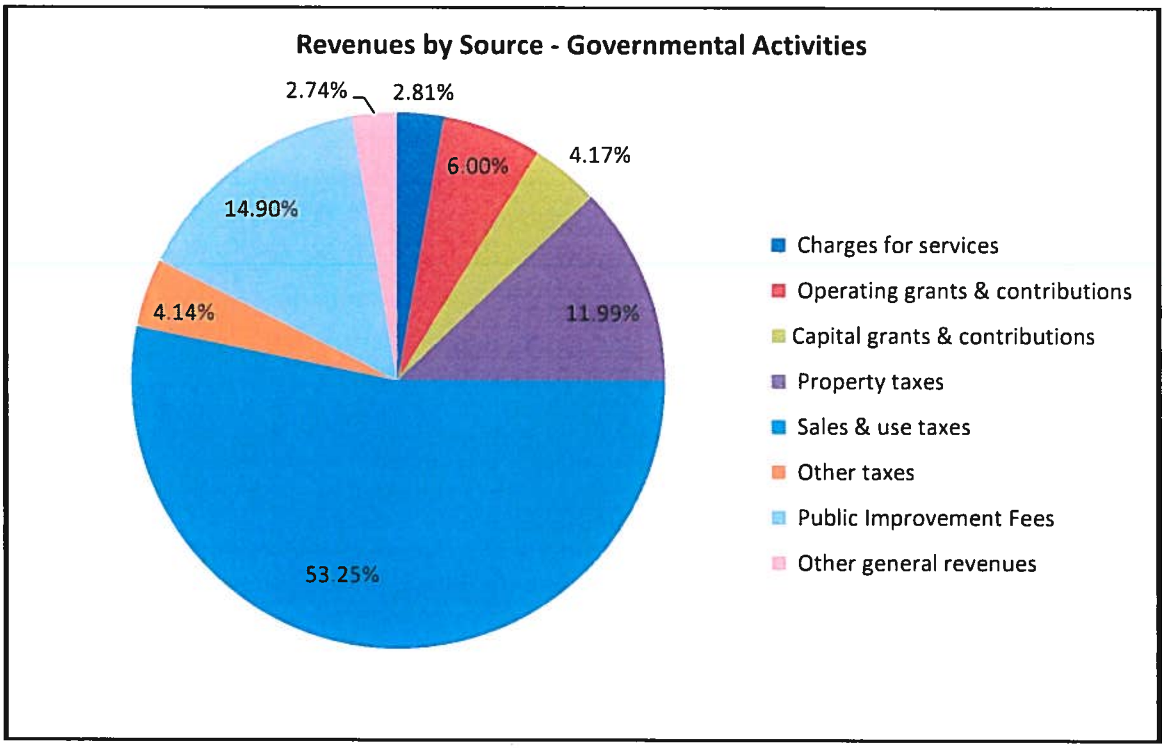
Governmental Activities

The Town's Governmental Activities increased in net position by $1,292,698 (11.2%) in 2017. Most of this increase was due to sales and use taxes restricted for future street and general capital improvement needs accumulating in the Street Capital Improvement Fund ($500,593) and Capital Improvement Fund ($313,171).

The following two charts illustrate the Governmental Activities revenues and expenses. As in most municipalities, the expenses of governmental activities are not fully supported through program revenues but are largely financed through taxes.



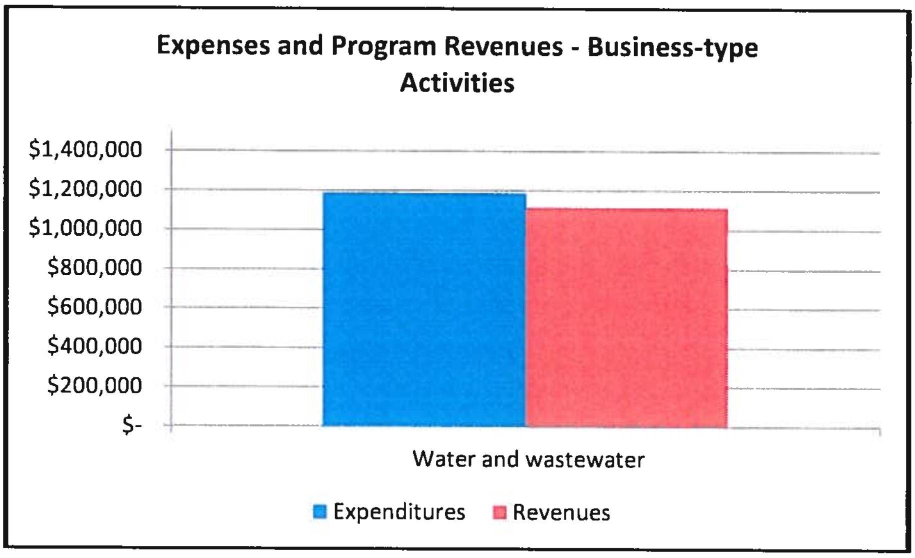
Expenses and Program Revenues - Governmental Activities
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
General Gov't
Public Safety
Public Works
Parks & Rec.
Interest on Long-Term Debt
Expenses
Program Revenues

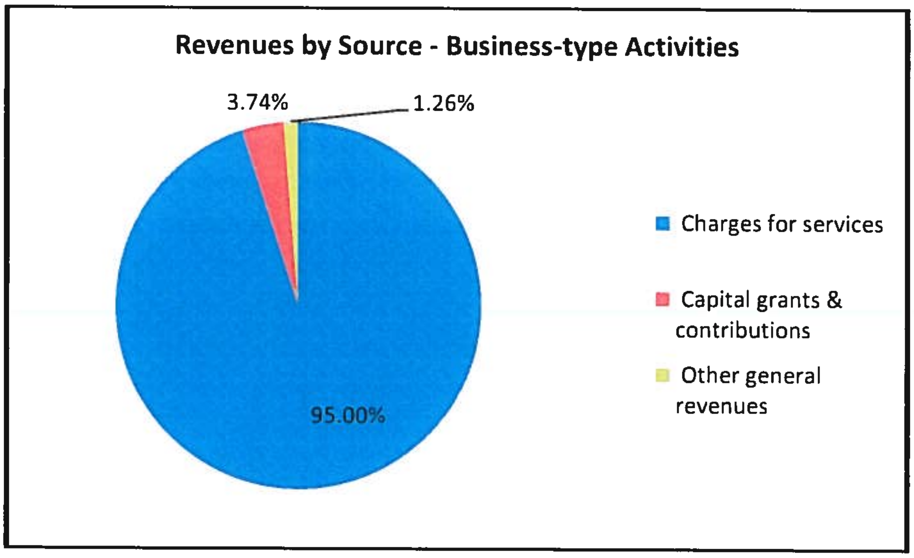


Revenues by Source - Governmental Activities
2.74%
2.81%
6.00%
4.17%
14.90%
4.14%
11.99%
53.25%
Charges for services
Operating grants & contributions
Capital grants & contributions
Property taxes
Sales & use taxes
Other taxes
Public Improvement Fees
Other general revenues

Business-type Activities
Business-type Activities increased the Town of Elizabeth's net position by $285,588 (4.8%) during 2017. This was a slight improvement over 2016 when these activities increased the Town's total net position $251,124 (4.4%). Operating expenses including depreciation exceeded operating revenues by $22,281. Most of the increase in net position for 2016 and 2017 was achieved through transfers from the Capital Improvement Fund in 2016 ($343,413) and 2017 ($343,978) for debt service.

The following two charts illustrate the Business-type Activities revenues and expenses for 2017.

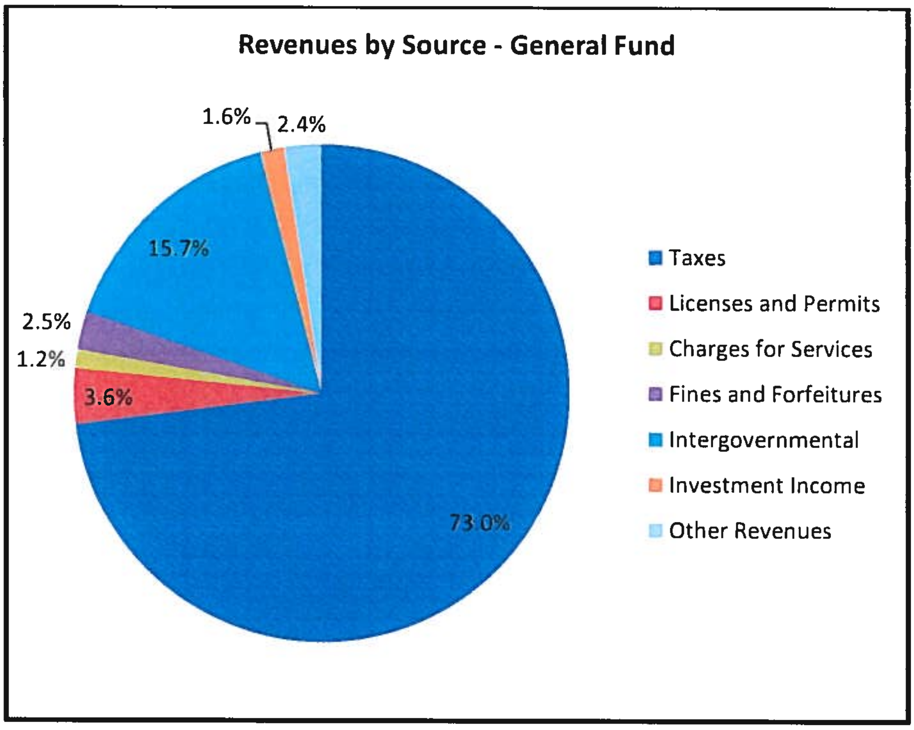


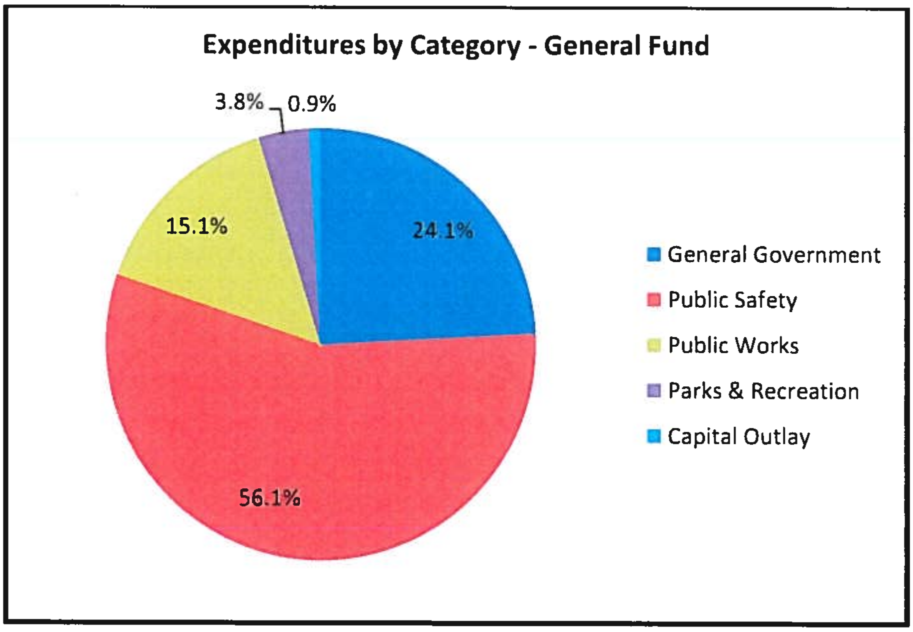


THE TOWN'S FUNDS
As noted earlier, the Town of Elizabeth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Governmental Funds utilize the modified accrual basis of accounting, and the balances of the spendable resources (unrestricted fund balance) in each fund are

shown at year end. At December 31, 2017 the Town's four major Governmental funds reported combined fund balances of $8,134,206. These funds are discussed below.

General Fund. The General Fund is the chief operating fund of the Town of Elizabeth. It accounts for all of the general services provided by the Town. The Ending Fund Balance of the General Fund at December 31, 2017 was $974,279. This was a $21,445 (2.25%) increase from 2016. During the year the Town increased its police force from five to seven positions. The following two tables illustrate General Fund revenues and expenditures during 2017.





Street Maintenance Fund. This fund is utilized to account for 10% of a 1.5% sales and use tax for street maintenance. Other revenues associated with street maintenance are received by this fund as well as a portion of the public improvement fees received from a development agreement in Elbert County. Fund revenues exceeded fund expenditures by $78,033 during 2017.

Street Capital Improvement Fund. This fund is utilized to account for the remaining 90% of the 1.5% sales and use tax described in the preceding paragraph. It also receives a portion of the public improvement fees. During 2017, the fund balance increased by $500,593 (17.9%) to $3,299,536. Fund expenditures were primarily for debt service payments on the bonds issued to finance street improvements in prior years. See Note 4 for more information on the bonds.

Capital Improvement Fund. The Town uses the Capital Improvement Fund to segregate portions of certain revenues for capital needs. During 2017, the Capital Improvement Fund balance increased by $313,171 (11.1%) despite a transfer to the Water and Wastewater Fund of $343,978 for debt service on the 2008 CWRPDA loan (see Note 4).

Water and Wastewater Fund. At December 31, 2017 the net position of the Water and Wastewater Fund was $6,229,579. This was an increase of $285,588 (4.8%) from 2016, but the fund experienced a net loss of $100,640 before tap fees and the transfer from the Capital Improvement Fund. Most of the operating loss was caused by depreciation of capital assets ($425,220).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At December 31, 2017 the Town had invested in a range of capital assets including land, buildings and improvements, vehicles, office equipment, and park equipment. As mentioned above, the Town has specified certain sales tax revenue streams to fund capital improvements. Of the Town's four cents per dollar sales tax, 37.50% goes to the Capital Improvement Fund and 33.75% goes to the Street Capital improvement Fund. Note 3 of the financial statements provides a summary of changes in capital assets during the year. During 2017, the Town's major capital purchases included land acquisition, construction of gateway signage at the entrances to Town, and the development of a recreational trail system.

Debt Administration. Note 4 of the financial statements provides a summary of the Town's long-term debt. At December 31,2017 the Town had outstanding bonds from governmental activities totaling $4,285,000, and outstanding loans in the water and wastewater fund totaling $3,842,670. In addition, the town had contractual obligations for compensated absences in the governmental funds of $31,812 and in the water and wastewater fund of $7,369.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the Town's economy has traditionally been primarily driven by agriculture, a shift toward expanded residential development has begun. Retail activity and development are driving economic growth within Elizabeth and the surrounding area. Management believes that the sales and use taxes and public improvement fees will continue to trend upward during the coming year while rates remain the same. Management will closely monitor revenues for sufficiency to cover the costs of increased service demands.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Town of Elizabeth's residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds it receives and assets it maintains. If you have questions about this report, or should you desire additional financial information, contact the Town's management at Town of Elizabeth, 151 S. Banner St., P.O. Box 159, Elizabeth, CO 80107 or call Town Hall at (303) 646-4166.

Basic Financial Statements

Town of Elizabeth, Colorado
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$ 7,268,277	$ 1,858,804	$ 9,127,081
Restricted Cash and Investments	622,915	-	622,915
Accounts Receivable	535,540	120,026	655,566
Property Taxes Receivable	493,382	-	493,382
Prepaid Expenses	1,348	-	1,348
Capital Assets, *Not Being Depreciated*	1,027,721	358,630	1,386,351
Capital Assets, *Net of Accumulated Depreciation*	7,834,277	7,834,179	15,668,456
Total Assets	17,783,460	10,171,639	27,955,099
Deferred Outflows of Resources			
Loss on Debt Refunding, *Net of Accumulated Amortization*	118,920	-	118,920
Pensions, *Net of Accumulated Amortization*	81,762	-	81,762
Total Deferred Outflows of Resources	200,682	-	200,682
Liabilities			
Accounts Payable	104,511	36,904	141,415
Accrued Liabilities	34,478	1,745	36,223
Accrued Interest Payable	10,102	32,614	42,716
Deposits	154,885	20,758	175,643
Noncurrent Liabilities			
Due Within One Year	373,181	286,927	660,108
Due in More Than One Year	3,943,631	3,563,112	7,506,743
Net Pension Liability	16,814	-	16,814
Total Liabilities	4,637,602	3,942,060	8,579,662
Deferred Inflows of Resources			
Property Taxes	493,382	-	493,382
Pensions, *Net of Accumulated Amortization*	3,502	-	3,502
Total Deferred Inflows of Resources	496,884	-	496,884
Net Position			
Net Investment in Capital Assets	4,890,333	4,350,139	9,240,472
Restricted for:			
Debt Service	428,500	-	428,500
Parks	74,790	-	74,790
Street Maintenance	214,165	-	214,165
Street Improvements	607,642	-	607,642
Capital Improvements	2,422,255	-	2,422,255
Emergencies	91,000	45,000	136,000
Unrestricted	4,120,971	1,834,440	5,955,411
Total Net Position	$ 12,849,656	$ 6,229,579	$ 19,079,235

See Notes to Financial Statements.

Town of Elizabeth, Colorado
Statement of Activities
Year Ended December 31, 2017

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	$ 367,820	$ 5,914	$ 46,112	$ -	$ (315,794)	$ -	$ (315,794)
Public Safety	795,207	38,011	-	-	(757,196)	-	(757,196)
Public Works	879,278	58,966	179,759	162,060	(478,493)	-	(478,493)
Parks and Recreation	64,839	6,250	6,996	-	(51,593)	-	(51,593)
Interest on Long-Term Debt	139,230	-	-	-	(139,230)	-	(139,230)
Total Governmental Activities	2,246,374	109,141	232,867	162,060	(1,742,306)	-	(1,742,306)
Business-Type Activities							
Water and Wastewater	1,187,720	1,072,806	-	42,250	-	(72,664)	(72,664)
Total Business-Type Activities	1,187,720	1,072,806	-	42,250	-	(72,664)	(72,664)
Total Primary Government	$ 3,434,094	$ 1,181,947	$ 232,867	$ 204,310	(1,742,306)	(72,664)	(1,814,970)
General Revenues							
Sales Taxes					1,972,493	-	1,972,493
Use Taxes					95,323	-	95,323
Property Taxes					465,731	-	465,731
Specific Ownership Taxes					93,578	-	93,578
Franchise Taxes					66,954	-	66,954
Public Improvement Fees					578,378	-	578,378
Intergovernmental Revenues not Restricted to Specific Programs					8,916	-	8,916
Investment Income					60,262	14,274	74,536
Miscellaneous					37,347	-	37,347
Transfers					(343,978)	343,978	-
Total General Revenues and Transfers					3,035,004	358,252	3,393,256
Change in Net Position					1,292,698	285,588	1,578,286
Net Position, *Beginning of year*					11,556,958	5,943,991	17,500,949
Net Position, *End of year*					$ 12,849,656	$ 6,229,579	$ 19,079,235

Town of Elizabeth, Colorado
Balance Sheet
Governmental Funds
December 31, 2017

	General	Street Maintenance	Street Capital Improvement	Capital Improvement	Total
Assets					
Cash and Investments	$ 1,096,667	$ 682,775	$ 2,493,196	$ 2,995,639	$ 7,268,277
Restricted Cash and Investments	-	-	622,915	-	622,915
Accounts Receivable	133,497	66,256	183,425	152,362	535,540
Property Taxes Receivable	493,382	-	-	-	493,382
Prepaid Expenditures	1,348	-	-	-	1,348
Total Assets	$ 1,724,894	$ 749,031	$ 3,299,536	$ 3,148,001	$ 8,921,462
Liabilities					
Accounts Payable	$ 69,013	$ 12,014	$ -	$ 23,484	$ 104,511
Accrued Liabilities	33,335	1,143	-	-	34,478
Escrow Deposits	154,885	-	-	-	154,885
Total Liabilities	257,233	13,157	-	23,484	293,874
Deferred Inflows of Resources					
Property Taxes	493,382	-	-	-	493,382
Fund Balance					
Restricted for:					
Debt Service	-	-	428,500	-	428,500
Parks	74,790	-	-	-	74,790
Street Maintenance	-	214,165	-	-	214,165
Street Improvements	-	-	607,642	-	607,642
Capital Improvements	-	-	-	2,422,255	2,422,255
Emergencies	42,000	12,000	16,000	21,000	91,000
Committed to:					
Street Maintenance	-	509,709	-	-	509,709
Assigned to:					
Street Improvements	-	-	2,247,394	-	2,247,394
Capital Improvements	-	-	-	681,262	681,262
Unrestricted, Unassigned	857,489	-	-	-	857,489
Total Fund Balance	974,279	735,874	3,299,536	3,124,517	8,134,206
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,724,894	$ 749,031	$ 3,299,536	$ 3,148,001	$ 8,921,462

See Notes to Financial Statements.

Town of Elizabeth, Colorado
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of Governmental Funds	$ 8,134,206
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in governmental funds.	8,861,998
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Bonds payable	(4,285,000)
Accrued compensated absences	(31,812)
Accrued interest payable	(10,102)
Loss on debt refunding	118,920
Net pension liability	(16,814)
Pension-related deferred outflows of resources	81,762
Pension-related deferred inflows of resources	(3,502)
Total Net Position of Governmental Activities	$ 12,849,656

See Notes to Financial Statements.

Town of Elizabeth, Colorado

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2017

	General	Street Maintenance	Street Capital Improvement	Capital Improvement	Total
Revenues					
Taxes	$ 1,025,808	$ 193,318	$ 698,661	$ 776,292	$ 2,694,079
Licenses and Permits	50,798	-	-	-	50,798
Charges for Services	16,984	-	-	6,250	23,234
Fines and Forfeitures	35,109	-	-	-	35,109
Intergovernmental	220,530	185,281	320,653	255,757	982,221
Investment Income	22,120	6,534	13,964	17,644	60,262
Miscellaneous	34,512	2,835	-	-	37,347
Total Revenues	1,405,861	387,968	1,033,278	1,055,943	3,883,050
Expenditures					
Current					
General Government	334,377	-	-	-	334,377
Public Safety	776,202	-	-	-	776,202
Public Works	208,971	263,537	-	2,419	474,927
Parks and Recreation	52,966	-	-	-	52,966
Capital Outlay	11,900	46,398	43,326	396,375	497,999
Debt Service					
Principal	-	-	360,000	-	360,000
Interest and Fiscal Charges	-	-	129,359	-	129,359
Total Expenditures	1,384,416	309,935	532,685	398,794	2,625,830
Excess of Revenues Over (Under) Expenditures	21,445	78,033	500,593	657,149	1,257,220
Other Financing Sources (Uses)					
Transfers Out	-	-	-	(343,978)	(343,978)
Net Change in Fund Balance	21,445	78,033	500,593	313,171	913,242
Fund Balance, *Beginning of year*	952,834	657,841	2,798,943	2,811,346	7,220,964
Fund Balance, *End of year*	$ 974,279	$ 735,874	$ 3,299,536	$ 3,124,517	$ 8,134,206

See Notes to Financial Statements.

Town of Elizabeth, Colorado

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended December 31, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of Governmental Funds	$ 913,242
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Capital outlay	455,024
Depreciation expense	(414,029)
Debt repayments are expenditures in governmental funds but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	360,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Amortization of bond premium	1,569
Amortization of loss on debt refunding	(11,892)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued compensated absences	(823)
Accrued interest payable	452
Net pension asset (liability)	(17,687)
Pension-related deferred outflows of resources	6,206
Pension-related deferred inflows of resources	636
Change in Net Position of Governmental Activities	$ 1,292,698

See Notes to Financial Statements.

Town of Elizabeth, Colorado
Statement of Net Position
Proprietary Fund
December 31, 2017

	Water and Wastewater
Assets	
Current Assets	
Cash and Investments	$ 1,858,804
Accounts Receivable	120,026
Total Current Assets	1,978,830
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	358,630
Capital Assets, *Net of Accumulated Depreciation*	7,834,179
Total Noncurrent Assets	8,192,809
Total Assets	10,171,639
Liabilities	
Current Liabilities	
Accounts Payable	36,904
Accrued Liabilities	1,745
Accrued Interest Payable	32,614
Customer Deposits	20,758
Compensated Absences Payable, *Current Portion*	737
Loans Payable, *Current Portion*	286,190
Total Current Liabilities	378,948
Noncurrent Liabilities	
Compensated Absences Payable	6,632
Loans Payable	3,556,480
Total Noncurrent Liabilities	3,563,112
Total Liabilities	3,942,060
Net Position	
Net Investment in Capital Assets	4,350,139
Restricted for Emergencies	45,000
Unrestricted	1,834,440
Total Net Position	$ 6,229,579

Town of Elizabeth, Colorado

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended December 31, 2017

	Water and Wastewater
Operating Revenues	
Charges for Services	$ 1,067,136
Miscellaneous	5,670
Total Operating Revenues	1,072,806
Operating Expenses	
System Operations	625,305
Depreciation	425,220
Total Operating Expenses	1,050,525
Net Operating Income	22,281
Nonoperating Revenues (Expenses)	
Investment Income	14,274
Interest Expense	(137,195)
Total Nonoperating Revenues (Expenses)	(122,921)
Net Loss Before Capital Contributions and Transfers	(100,640)
Tap Fees	42,250
Transfers In	343,978
Change in Net Position	285,588
Net Position, *Beginning of year*	5,943,991
Net Position, *End of year*	$ 6,229,579

See Notes to Financial Statements.

Town of Elizabeth, Colorado
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2017

	Water and Wastewater
Cash Flows From Operating Activities	
Cash Received from Customers	$ 1,055,847
Cash Paid to Employees	(203,903)
Cash Paid to Suppliers	(411,198)
Net Cash Provided by Operating Activities	440,746
Cash Flows From Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(12,496)
Tap Fees Received	42,250
Cash Received from Other Funds	343,978
Loan Principal Payments	(278,850)
Loan Interest Payments	(139,565)
Net Cash Used by Capital and Related Financing Activities	(44,683)
Cash Flows From Investing Activities	
Interest Received	14,274
Net Change in Cash and Cash Equivalents	410,337
Cash and Cash Equivalents, *Beginning of year*	1,448,467
Cash and Cash Equivalents, *End of year*	$ 1,858,804
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	$ 22,281
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	425,220
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(18,204)
Accounts Payable	13,226
Accrued Liabilities	(2,792)
Customer Deposits	1,245
Compensated Absences Payable	(230)
Net Cash Provided by Operating Activities	$ 440,746

See Notes to Financial Statements.

Note 1: Summary of Significant Accounting Policies

The Town of Elizabeth, Colorado (the Town) was incorporated in 1890, and is governed by a Mayor and six-member Board of Trustees elected by the residents.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Town. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Town. Legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Town.

Based on the application of this criteria, the Town does not include additional organizations in its reporting entity.

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 activities of the Town. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *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*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Town.

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

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

When both restricted and unrestricted resources are available for a specific use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

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

The *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those accounted for in another fund.

The *Street Maintenance Fund* accounts for the collection of ten percent (10%) of a 1.5% sales and use tax restricted by election, and other restricted intergovernmental revenues, for the maintenance of streets and roads.

The *Street Capital Improvement Fund* accounts primarily for the collection of ninety percent (90%) of a 1.5% sales and use tax restricted by election for the design, construction, and repayment of debt issued for streets and roads, improvements to street lights, storm water, drainage, pedestrian, landscaping, and modifications to utilities.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The *Capital Improvement Fund* accounts for a 1.5% sales and use tax collected beginning January 1, 2008, through December 31, 2033, restricted by election for the design, construction, and repayment of debt issued for general capital improvements, land acquisition, and water and wastewater improvements.

The Town reports the following major proprietary fund:

The *Water and Wastewater Fund* accounts for the financial activities associated with the provision of water and sewer services.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - Cash equivalents include investments with original maturities of three months or less. Investments in pooled cash are considered cash equivalents.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years, and are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, water and wastewater systems, buildings, equipment, and streets constructed or contributed since January 1, 2004, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more 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 the acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	15 - 25 years
Infrastructure	30 years
Buildings and Improvements	25 - 100 years
Vehicles and Equipment	3 - 30 years
Plant and Equipment	5 - 60 years
Plant Improvements	5 - 30 years

Deposits – Developer deposits held in escrow and security deposits received from customers are reported as liabilities in the financial statements.

Deferred Inflows of Resources - Deferred inflows of resources include property taxes earned but levied for a subsequent year.

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Compensated Absences - Employees of the Town are allowed to accumulate unused vacation and sick time. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation time, based on years of service, up to a maximum of 200 hours, at their current rate of pay. These compensated absences are expended when earned in the proprietary fund and when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued vacation time. Employees are not paid for unused sick time. Therefore, no liability is reported for these compensated absences.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and losses on debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The Town participates in the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA).

The net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the plan's fiduciary net position have been determined using the accrual basis of accounting, the same basis of accounting used by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized in the year the contributions are due.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed.

As reported in the governmental fund financial statements, the Board of Trustees establishes a fund balance commitment through passage of a resolution. The Board of Trustees is authorized to informally assign amounts to a specific purpose and has also delegated to the Town Administrator or his designee the authority to assign fund balances for specific purposes.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Town's policy is to use restricted amounts first, followed by committed, assigned and unassigned amounts.

Town of Elizabeth, Colorado
Notes to Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes attach as an enforceable lien on January 1, are levied the following December, and collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Town on a monthly basis.

Note 2: Cash and Investments

Cash and investments at December 31, 2017, consisted of the following:

Petty Cash	$ 376
Cash Deposits	1,205,314
Investments	8,544,306
Total	$ 9,749,996

Cash and investments are classified in the financial statements as follows:

Cash and Investments	$ 9,127,081
Restricted Cash and Investments	622,915
Total	$ 9,749,996

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2017, the Town had bank deposits of $974,056 collateralized with securities held by the financial institutions' agents but not in the Town's name.

Investments

The Town is required to comply with State statutes which specify the investments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. The Town's investment policy does not further limit these investment choices.

Note 2: Cash and Investments (Continued)

Investments (Continued)

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - Except for corporate securities, State statutes do no limit the amount the Town may invest in any single investment or issuer.

Local Government Investment Pools - At December 31, 2017, the Town had $4,728,655 and $3,815,651 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively, investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at $1. Both pools are rated AAAm by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodians' internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At December 31, 2017, the Street Capital Improvement Fund reported debt proceeds restricted by the Sales and Use Tax Revenue Bond agreements for debt reserves and street improvements of $428,500 and $194,415, respectively.

Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2017, is summarized below:

Governmental Activities	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital Assets, Not Being Depreciated:				
Land	$ 621,716	$ 150,492	$ —	$ 772,208
Construction in Progress	18,310	237,203	—	255,513
Total Capital Assets, Not Being Depreciated	640,026	387,695	—	1,027,721
Capital Assets, Being Depreciated:				
Land Improvements	332,248	58,650	—	390,898
Infrastructure	9,954,291	—	—	9,954,291
Buildings and Improvements	805,820	—	—	805,820
Vehicles and Equipment	872,835	8,679	—	881,514
Total Capital Assets, Being Depreciated	11,965,194	67,329	—	12,032,523
Less Accumulated Depreciation:				
Land Improvements	(131,183)	(15,021)	—	(146,204)
Infrastructure	(2,736,540)	(331,809)	—	(3,068,349)
Buildings and Improvements	(234,733)	(23,491)	—	(258,224)
Vehicles and Equipment	(681,761)	(43,708)	—	(725,469)
Total Accumulated Depreciation	(3,784,217)	(414,029)	—	(4,198,246)
Total Capital Assets, Being Depreciated	8,180,977	(346,700)	—	7,834,277
Governmental Activities Capital Assets, Net	$ 8,821,003	$ 40,995	$ —	$ 8,861,998
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Easements	$ 358,630	$ —	$ —	$ 358,630
Capital Assets, Being Depreciated:				
Plant and Equipment	8,228,727	12,496	—	8,241,223
Plant Improvements	4,448,131	—	—	4,448,131
Total Capital Assets, Being Depreciated	12,676,858	12,496	—	12,689,354
Less Accumulated Depreciation:				
Plant and Equipment	(3,068,803)	(279,959)	—	(3,348,762)
Plant Improvements	(1,361,152)	(145,261)	—	(1,506,413)
Total Accumulated Depreciation	(4,429,955)	(425,220)	—	(4,855,175)
Total Capital Assets, Being Depreciated, Net	8,246,903	(412,724)	—	7,834,179
Business-Type Activities Capital Assets, Net	$ 8,605,533	$ (412,724)	$ —	$ 8,192,809

Note 3: Capital Assets (Continued)

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

Governmental Activities	
General Government	$ 14,933
Public Safety	25,847
Public Works	363,795
Parks and Recreation	9,454
Total	$ 414,029

Note 4: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2017.

	Balance 12/31/2016	Additions	Payments	Balance 12/31/2017	Due Within One Year
2015 Revenue Refunding Bonds	$ 3,135,000	$ —	$ (25,000)	$ 3,110,000	$ 145,000
2014 Revenue Refunding Bonds	1,390,000	—	(215,000)	1,175,000	225,000
2006 Revenue Bonds	120,000	—	(120,000)	—	—
Bond Premium	1,569	—	(1,569)	—	—
Compensated Absences	30,989	20,541	(19,718)	31,812	3,181
Total	$ 4,677,558	$ 20,541	$ (381,287)	$ 4,316,812	$ 373,181

Revenue Bonds - $3,160,000 Sales and Use Tax Revenue Refunding Bonds, Series 2015, were issued to refund a portion of the existing Sales and Use Tax Revenue Bonds, Series 2006, originally issued to finance street improvements. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at 2.85% per annum. Principal payments are due annually on December 1, through 2027.

$1,995,000 Sales and Use Tax Revenue Refunding Bonds, Series 2014, were issued to refund a portion of the existing Sales and Use Tax Revenue Bonds, Series 2003, originally issued to finance street improvements. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at 2.49% per annum. Principal payments are due annually on December 1, through 2022.

$4,055,000 Sales and Use Tax Revenue Bonds, Series 2006, were issued to finance street improvements. During the year ended December 31, 2015, $2,975,000 of the bonds were refunded. The remaining principal payments were due annually on December 1, through 2017. Interest accrued at 4% per annum and was payable semi-annually on June 1 and December 1.

Note 4: Long-Term Debt (Continued)

Governmental Activities (Continued)

These bonds are payable from ninety percent (90%) of a 1.5% sales and use tax which is reported in the Street Capital Improvement Fund, and if necessary, a 1% sales tax reported in the General Fund. During the year ended December 31, 2017, revenues of $1,191,784 were available to pay annual debt service of $489,359.

Remaining debt service at December 31, 2017, was as follows:

Year Ended December 31,	Principal	Interest	Total
2018	$ 370,000	$ 117,893	$ 487,893
2019	380,000	108,159	488,159
2020	395,000	98,156	493,156
2021	405,000	87,741	492,741
2022	410,000	77,066	487,066
2023 – 2027	2,325,000	202,494	2,527,494
Total	$ 4,285,000	$ 691,509	$ 4,976,509

Compensated Absences - Compensated absences of the governmental activities are expected to be liquidated primarily with revenues of the General Fund.

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2017.

	Balance 12/31/2016	Additions	Payments	Balance 12/31/2017	Due Within One Year
2008 Loan	$ 3,455,617	$ —	$ (228,921)	$ 3,226,696	$ 234,371
2007 Loan	665,903	—	(49,929)	615,974	51,819
Compensated Absences	7,599	8,087	(8,317)	7,369	737
Total	$ 4,129,119	$ 8,087	$ (287,167)	$ 3,850,039	$ 286,927

Loans - During 2008, the Town obtained a loan from the Colorado Water Resources and Power Development Authority (CWRPDA) to finance the upgrade and expansion of the Gold Creek wastewater treatment plant. Principal and interest payments are due semi-annually on February 1 and August 1, through August 1, 2029. Interest accrues at 3.42% per annum.

The loan is payable solely from a 1.5% sales and use tax and other revenues recorded in the Capital Improvement Fund. During the year ended December 31, 2017, revenues of $887,633 were available to pay annual debt service of $343,979. Remaining debt service at December 31, 2017 was $4,138,981.

Note 4: Long-Term Debt (Continued)

Business-Type Activities (Continued)

During 2007, the Town obtained a loan from the CWRPDA to finance the construction of a lift station at the Running Creek wastewater treatment plant and the installation of a transfer pipeline to the Gold Creek wastewater treatment plant. Principal and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027. Interest accrues at 3.75% per annum.

The loan is payable solely from revenues of the Town's water and wastewater system, after deducting operating and maintenance costs. During the year ended December 31, 2017, net revenues of $504,025 were available to pay annual debt service of $74,436. Remaining debt service at December 31, 2017, was $744,361.

Annual debt service requirements for the outstanding loans at December 31, 2017, were as follows:

Year Ended December 31,	Principal	Interest	Total
2018	$ 286,190	$ 132,813	$ 419,003
2019	293,602	125,980	419,582
2020	301,089	116,898	417,987
2021	308,651	109,983	418,634
2022	316,293	103,013	419,306
2023 – 2027	1,704,588	394,446	2,099,034
2028 – 2029	632,257	57,539	689,796
Total	$ 3,842,670	$ 1,040,672	$ 4,883,342

Note 5: Interfund Transfers

During the year ended December 31, 2017, the Capital Improvement Fund transferred $343,978 to the Water and Wastewater Fund for debt service on the 2008 CWRPDA loan (See Note 4).

Note 6: Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for its workers compensation claims. For other risks of loss, the Town participates in 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 provisions of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

Note 6: Risk Management (Continued)

The purposes of CIRSA are to provide members defined liability and property coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and 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 coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

Note 7: Defined Benefit Pension Plan

General Information

Plan Description - The Town contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). The Plan covers all full-time police officers and certain other auxiliary personnel. Title 31, Article 31 of the Colorado Revised Statutes (CRS) grants the authority to establish and amend benefit terms to the FPPA Board of Directors. FPPA issues a publicly available financial report that includes information on the plan. That report may be obtained at www.fppaco.org.

Benefits Provided – A plan member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. The annual normal retirement benefit is 2% of the average of the member's highest three years' base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. Benefits paid to retirees are evaluated and may be re-determined every October 1. The amount of any increase is based on the FPPA Board of Director's discretion and can range from zero to the higher of 3% or the Consumer Price Index.

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

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Plan members may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement, and age 55. A member can continue to work while participating in the DROP, but must terminate employment within five years of entry into the DROP. The member's percentage of retirement benefits is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Each member shall self-direct the investments in their DROP account, which are held by a custodian and not included in the plan's net position.

Contributions - The Town and eligible employees are required to contribute to the plan at rates established by State statutes. Employer contribution rates can only be amended by the State Legislature. Employee contribution rates can be amended by the State Legislature or by election of the membership. The Town and eligible employees contributed 8% and 9.5% of base salary, respectively, for the year ended December 31, 2017. Plan members elected to increase the employee contribution rate 0.5% annually from 2015 through 2022, to a total of 12% of base salary. Employer contributions will remain at 8% of base salary. The Town's contributions to the plan for the year ended December 31, 2017, were $23,194, equal to the required contributions.

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

At December 31, 2017, the Town reported a net pension liability of $16,814, representing its proportionate share of the net pension liability of the plan. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The Town's proportion of the net pension liability was based on the Town's contributions to the plan for the calendar year ended December 31, 2016, relative to the projected contributions of all participating employers. At December 31, 2016, the Town's proportion was 0.04653344%, which was a decrease of 0.00300269% from its proportion measured at December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of $30,726. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 7: Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,254	$ 742
Net difference between projected and actual earnings on plan investments	31,106	—
Changes in assumptions and other inputs	10,086	—
Changes in proportion	4,122	2,760
Contributions subsequent to the measurement date	23,194	—
Total	$ 81,762	$ 3,502

Town contributions subsequent to the measurement date of $23,194 will be recognized as a decrease to the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Year Ended December 31,	
2018	$ 17,476
2019	16,441
2020	6,780
2021	3,197
2022	3,197
Thereafter	7,975
Total	$ 55,066

Actuarial Assumptions - The actuarial valuations as of January 1, 2017, determined the total pension liability using the following actuarial assumptions and other inputs:

Investment rate of return, compounded annually, net of plan investment expenses, including inflation	7.5%
Inflation	2.5%
Projected salary increases	4% - 14%
Cost of living adjustment	0%

Mortality rates for active members were based on the RP-2014 Mortality Tables for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Tables for Blue Collar Employees were used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used. All tables were projected with Scale BB.

Note 7: Defined Benefit Pension Plan (Continued)

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

The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation as of January 1, 2016, based upon the actuary's analysis and recommendations from the 2015 Experience Study.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	36%	9.25%
Equity Long/Short	10%	7.35%
Illiquid Alternatives	23%	10.75%
Fixed Income	15%	4.10%
Absolute Return	10%	6.55%
Managed Futures	4%	5.50%
Cash	2%	0.00%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates in the FPPA Board of Director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Asset (Liability) to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the Town's proportionate share of the net pension asset (liability) if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

Note 7: Defined Benefit Pension Plan (Continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension asset (liability)	$ (143,063)	$ (16,814)	$ 88,041

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

Note 8: Defined Contribution Pension Plans

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is available to all employees, excluding police officers, and permits them to defer a portion of their salary until future years. The Board of Trustees determines the Town's contributions to the plan. The Town currently matches employee contributions to a maximum of 3% of each employee's salary after one year of employment. During the year ended December 31, 2017, the Town contributed $12,241 to the plan. The plan is administered by FTJ Fundchoice, LLC, and all plan assets are held in trust for the exclusive benefit of the participants.

FPPA Money Purchase Plan

The Town contributes to the Statewide Money Purchase Plan, a multiple-employer defined contribution pension plan, on behalf of the Police Chief. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). The contribution requirements of the plan are established by State statutes. Currently, plan participants contribute 8% of base salary, which is matched by the Town. Participants vest immediately in their contributions. Vesting in the Town's contributions and the related investment earnings occurs at 20% per year after the first year of service, with full vesting after five years of service. During the year ended December 31, 2017, the Town contributed $6,540 to the plan, equal to the required contributions.

Note 9: Other Postemployment Benefits

Plan Description - The Town contributes to the Statewide Death and Disability Plan, a cost-sharing multiple-employer defined benefit death and disability plan administered by the Fire & Police Pension Association of Colorado (FPPA). All full-time police officers are members of the plan. Contributions to the plan are used solely for the payment of death and disability benefits. Benefits are established by State statute and generally allow for benefits upon the death or disability of a plan member prior to retirement. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting FPPA as described previously.

Note 9: Other Postemployment Benefits (Continued)

Funding Policy - The contribution requirements are established by State statute. The Town's Board of Trustees determines the contribution split between members and the Town. No contributions are required for members hired prior to January 1, 1997. For members hired on or after January 1, 1997, the Town contributed 2.7% of base salaries for the year ended December 31, 2017. The Town's contributions to the plan for the years ended December 31, 2017, 2016 and 2015 were $10,023, $8,258 and $8,145, respectively, equal to the required contributions.

Note 10: Commitments and Contingencies

Claims and Judgments

The Town participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. At December 31, 2017, certain grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Town.

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 governments. On November 5, 1996, voters allowed the Town to collect, retain and expend the full proceeds of any revenue source of the Town without imposing any new taxes or increases in tax rates, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2017, the emergency reserve of $136,000 was reported as restricted fund balance in the governmental funds, and as restricted net position in the enterprise fund.

Required Supplementary Information

Town of Elizabeth, Colorado
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Asset (Liability) and Contributions
FPPA Statewide Defined Benefit Plan
Year Ended December 31, 2017

	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Asset (Liability)				
Town's Proportion of the Net Pension Asset (Liability)	0.046533437%	0.049536126%	0.054708409%	0.049811120%
Town's Proportionate Share of the Net Pension Asset (Liability)	$ (16,814)	$ 873	$ 61,743	$ 44,540
Town's Covered Payroll	$ 238,144	$ 240,138	$ 241,660	$ 220,716
Town's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	(7.2%)	0.4%	26%	20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98%	100.1%	107%	106%

	12/31/17	12/31/16	12/31/15	12/31/14
Town Contributions				
Statutorily Required Contribution	$ 23,194	$ 19,052	$ 19,211	$ 19,333
Contributions in Relation to the Statutorily Required Contribution	(23,194)	(19,052)	(19,211)	(19,333)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Town's Covered Payroll	$ 289,928	$ 238,144	$ 240,138	$ 241,660
Contributions as a Percentage of Covered Payroll	8.00%	8.00%	8.00%	8.00%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Town of Elizabeth, Colorado
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenues			
Taxes			
Sales	$ 490,000	$ 493,123	$ 3,123
Property	453,608	465,731	12,123
Franchise	64,000	66,954	2,954
Licenses and Permits	83,950	50,798	(33,152)
Charges for Services	28,300	16,984	(11,316)
Fines and Forfeitures	34,000	35,109	1,109
Intergovernmental	210,907	220,530	9,623
Investment Income	2,720	22,120	19,400
Miscellaneous	9,270	34,512	25,242
Total Revenues	1,376,755	1,405,861	29,106
Expenditures			
Current			
General Government	312,356	334,377	(22,021)
Public Safety	885,541	776,202	109,339
Public Works	378,257	208,971	169,286
Parks and Recreation	-	52,966	(52,966)
Capital Outlay	77,700	11,900	65,800
Total Expenditures	1,653,854	1,384,416	269,438
Net Change in Fund Balance	(277,099)	21,445	298,544
Fund Balance, *Beginning of year*	1,045,955	952,834	(93,121)
Fund Balance, *End of year*	$ 768,856	$ 974,279	$ 205,423

See the accompanying Independent Auditors' Report.

Town of Elizabeth, Colorado
Budgetary Comparison Schedule
Street Maintenance Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenues			
Taxes			
Sales	$ 69,764	$ 73,969	$ 4,205
Use	16,059	25,771	9,712
Specific Ownership	70,000	93,578	23,578
Intergovernmental	150,952	185,281	34,329
Investment Income	-	6,534	6,534
Miscellaneous	110	2,835	2,725
Total Revenues	306,885	387,968	81,083
Expenditures			
Current			
Public Works	599,422	263,537	335,885
Capital Outlay	-	46,398	(46,398)
Total Expenditures	599,422	309,935	289,487
Net Change in Fund Balance	(292,537)	78,033	370,570
Fund Balance, *Beginning of year*	603,446	657,841	54,395
Fund Balance, *End of year*	$ 310,909	$ 735,874	$ 424,965

See the accompanying Independent Auditors' Report.

Note 1: Stewardship, Compliance and Accountability

Budgetary Accounting

Budgets are adopted for all funds of the Town as required by State statutes. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the enterprise fund are presented on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures and depreciation is not budgeted.

The Town follows these procedures to establish the budgetary information reflected in the financial statements:

- Management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- All appropriations lapse at year end.

Supplementary Information

Town of Elizabeth, Colorado

Budgetary Comparison Schedule
Street Capital Improvement Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenues			
Taxes			
Sales	$ 627,880	$ 665,716	$ 37,836
Use	37,860	32,945	(4,915)
Intergovernmental	299,351	320,653	21,302
Investment Income	8,000	13,964	5,964
Total Revenues	973,091	1,033,278	60,187
Expenditures			
Capital Outlay	37,100	43,326	(6,226)
Debt Service			
Principal	360,000	360,000	-
Interest and Fiscal Charges	196,765	129,359	67,406
Total Expenditures	593,865	532,685	61,180
Net Change in Fund Balance	379,226	500,593	121,367
Fund Balance, *Beginning of year*	2,730,852	2,798,943	68,091
Fund Balance, *End of year*	$ 3,110,078	$ 3,299,536	$ 189,458

See the accompanying Independent Auditors' Report.

Town of Elizabeth, Colorado
Budgetary Comparison Schedule
Capital Improvement Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenue			
Taxes			
Sales	$ 697,644	$ 739,685	$ 42,041
Use	42,196	36,607	(5,589)
Charges for Services	-	6,250	6,250
Intergovernmental	1,384,104	255,757	(1,128,347)
Investment Income	8,000	17,644	9,644
Total Revenues	2,131,944	1,055,943	(1,076,001)
Expenditures			
Current			
Public Works	-	2,419	(2,419)
Capital Outlay	1,663,431	396,375	1,267,056
Total Expenditures	1,663,431	398,794	1,264,637
Excess of Revenues Over (Under) Expenditures	468,513	657,149	188,636
Other Financing Sources (Uses)			
Transfers Out	(343,978)	(343,978)	-
Net Change in Fund Balance	124,535	313,171	188,636
Fund Balance, *Beginning of year*	2,814,760	2,811,346	(3,414)
Fund Balance, *End of year*	$ 2,939,295	$ 3,124,517	$ 185,222

See the accompanying Independent Auditors' Report.

Town of Elizabeth, Colorado

Budgetary Comparison Schedule
Water and Wastewater Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenues			
Charges for Services	$ 967,835	$ 1,067,136	$ 99,301
Miscellaneous	2,000	5,670	3,670
Investment Income	2,000	14,274	12,274
Tap Fees	480,000	42,250	(437,750)
Transfers In	343,978	343,978	-
Total Revenues	1,795,813	1,473,308	(322,505)
Expenditures			
System Operations	1,080,789	625,305	455,484
Capital Outlay	277,500	12,496	265,004
Debt Service			
Principal	270,083	278,850	(8,767)
Interest	101,595	137,195	(35,600)
Total Expenditures	1,729,967	1,053,846	676,121
Change in Net Position, *Budgetary Basis*	$ 65,846	419,462	$ 353,616
Reconciliation to GAAP Basis			
Capital Outlay		12,496	
Depreciation		(425,220)	
Debt Principal Payments		278,850	
Change in Net Position, *GAAP Basis*		$ 285,588	

Compliance Section

State Compliance

The public report burden for this information collection is estimated to average 380 hours annually. Financial Planning 02/01
Form # 350-050-36

LOCAL HIGHWAY FINANCE REPORT	City or County:	Town of Elizabeth
	YEAR ENDING : December 2017	
This Information From The Records Of Town of Elizabeth	Prepared By: Phone:	Lorraine Trotter, Prof'l Mgmt Solutions 303-910-9197

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	1,228,616
4. Miscellaneous local receipts (from page 2)	129,677
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	1,358,293
B. Private Contributions	
C. Receipts from State government (from page 2)	62,952
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	1,421,245

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	40,400
2. Maintenance:	108,996
3. Road and street services:	
a. Traffic control operations	13,261
b. Snow and ice removal	14,020
c. Other	
d. Total (a. through c.)	27,281
4. General administration & miscellaneous	159,125
5. Highway law enforcement and safety	18,056
6. Total (1 through 5)	353,858
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	128,758
b. Redemption	360,000
c. Total (a. + b.)	488,758
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	488,758
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	842,616

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	4,645,000	0	360,000	4,285,000
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
3,456,783	1,421,245	842,616	4,035,412	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2017

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	20,498
b. Other local imposts:		b. Traffic Fines & Penalities	
1. Sales Taxes	794,960	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	337,426	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	2,652	f. Charges for Services	
5. Specific Ownership &/or Other	93,578	g. Other Misc. Receipts	3,623
6. Total (1. through 5.)	1,228,616	h. Other County Road & Bridge	105,556
c. Total (a. + b.)	1,228,616	i. Total (a. through h.)	129,677
	(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	55,956	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	6,996	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	6,996	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	62,952	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			
(3). System Preservation		40,400	40,400
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	40,400	40,400
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	40,400	40,400
			(Carry forward to page 1)

Notes and Comments:

HINKLE & COMPANY PC
Strategic Business Advisors

Honorable Mayor and Members of the Board of Trustees
Town of Elizabeth
Elizabeth, Colorado

We have audited the financial statements of the Town of Elizabeth (the Town) as of and for the year ended December 31, 2017, and have issued our report thereon dated July 27, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements due to error or fraud may exist and not be detected by us, even though the audit is properly planned and performed. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

As part of our audit, we considered the Town's internal control over financial reporting and compliance as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control or on compliance.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We applied certain limited procedures to the required supplementary information (RSI). However, we did not audit the RSI and do not express an opinion or provide any assurance on the RSI. With respect to the supplementary information accompanying the financial statements, we performed procedures to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing the information has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements.

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Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions the Town entered into during the year for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements as a whole.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A listing of uncorrected misstatements was provided to management, and management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

We identified misstatements as a result of our audit procedures which were corrected by management. In our judgment, none of the misstatements detected as a result of our audit procedures were material, either individually or in the aggregate, to each opinion unit's financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no difficulties dealing with management during the audit process. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

Internal Control Weaknesses

Segregation of Duties

Many of the Town's functions are performed by one individual, without the involvement of a second person, including payroll, accounts payable, and utility billing. This situation increases the risk of errors and fraud. We recommend that the Town continue to provide oversight and second person reviews. This additional oversight will allow for errors to be detected and corrected in a timely manner.

Conclusion

We would like to thank Lorraine Trotter and the Town staff for their assistance during the audit process. Everyone was very helpful and cooperative.

This report is intended solely for the information and use of the Board of Trustees and management of the Town of Elizabeth and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, PC

Greenwood Village, Colorado
July 27, 2018