

Town of Iliff, Colorado

Financial Statements

For the Year Ended December 31, 2017

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Independent Auditors' Report

To the Honorable Mayor and Members of Town Council
Town of Iliff
Iliff, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iliff (the Town) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information and the local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 20, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Iliff, Colorado's annual financial report presents the discussion and analysis of the financial performance for the fiscal year that ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The Town of Iliff remains in good financial condition.
- The assets of the Town of Iliff exceeded its liabilities at the close of 2017 by \$1,789,454 (net position). Of this amount \$529,343 or 30% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's revenue from taxes and other revenues for governmental activities were less than the expenses by \$25,240.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Iliff's basic financial statements. The Town of Iliff's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements.
- 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 statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

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

The **statement of activities** presents information showing how the Town of Iliff'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 reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes.)

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities.** Most of the Town's basic services are included here, such as the public works, parks, recreation, and general administration. Property tax, franchise tax, intergovernmental revenue and charges for services finance most of these activities.
- **Business-type activities.** The Town charges fees to customers to recover most of the costs of certain services provided. The Town's water and sewer systems are included here.

The government-wide financial statements can be found starting on page 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law; however, Town Council has established other funds to help control and manage money for particular purposes or to show that it is properly using certain revenue (the Conservation Trust Fund). All of the funds of the Town of Iliff 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 and the balances left at year-end are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statement provides a detailed, short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found starting on page 16 of this report.

Proprietary funds. When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found starting on page 20 of this report.

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 starting on page 24 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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 Iliff, assets exceed liabilities by \$1,789,454 at the close of 2017.

Net Position

Combined net position of the Town of Iliff as of December 31, 2017 and 2016 is shown in Table 1 below.

**Table 1
NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 68,890	\$ 94,286	\$ 711,826	\$ 548,124	\$ 780,716	\$ 642,410
Capital assets	53,132	53,732	1,943,014	1,115,990	1,996,146	1,169,722
Total assets	<u>\$ 122,022</u>	<u>\$ 148,018</u>	<u>\$ 2,654,840</u>	<u>\$ 1,664,114</u>	<u>\$ 2,776,862</u>	<u>\$ 1,812,132</u>
Long-term debt outstanding	\$ -	\$ -	\$ 759,000	\$ -	\$ 759,000	\$ 400,000
Other liabilities	1,274	1,388	217,029	512,798	218,303	114,186
Total liabilities	<u>1,274</u>	<u>1,388</u>	<u>976,029</u>	<u>512,798</u>	<u>977,303</u>	<u>514,186</u>
Deferred property tax revenues	10,105	10,747	-	-	10,105	10,747
Total deferred inflows of resources	<u>10,105</u>	<u>10,747</u>	<u>-</u>	<u>-</u>	<u>10,105</u>	<u>10,747</u>
Net position:						
Net investment in capital assets	53,132	53,732	1,184,014	715,990	1,237,146	769,722
Restricted	22,965	20,223	-	-	22,965	20,223
Unrestricted	34,546	61,928	494,797	435,326	529,343	497,254
Total net position	<u>110,643</u>	<u>135,883</u>	<u>1,678,811</u>	<u>1,151,316</u>	<u>1,789,454</u>	<u>1,287,199</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 122,022</u>	<u>\$ 148,018</u>	<u>\$ 2,654,840</u>	<u>\$ 1,664,114</u>	<u>\$ 2,776,862</u>	<u>\$ 1,812,132</u>

The largest portion of the Town of Iliff's net position, 69%, reflects its investment in capital assets (land, buildings and equipment). The Town of Iliff uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. In addition, a portion of the Town of Iliff's net position, 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 30%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2017, the Town of Iliff is able to report positive balances in all three categories of net position for the government as a whole and its business-type activities, but not for its governmental activities.

Changes in net position

The Town's total revenue of \$724,719 was more than program expenses of \$222,464 for an increase in net position of \$502,255.

Table 2
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 2,700	\$ 2,550	\$ 114,303	\$ 104,397	\$ 117,003	\$ 106,947
Operating grants and contributions	18,004	17,312	-	-	18,004	17,312
Capital grants and contributions	-	-	567,572	662,920	567,572	662,920
General revenues						
Property taxes	10,598	10,912	-	-	10,598	10,912
Other taxes	1,242	1,245	-	-	1,242	1,245
Franchise taxes	9,113	6,423	-	-	9,113	6,423
Mineral lease	149	204	-	-	149	204
Unrestricted interest	343	367	-	-	343	367
Miscellaneous	695	2,802	-	-	695	2,802
Total revenues	42,844	41,815	681,875	767,317	724,719	809,132
Program expenses						
General government	46,936	27,403	-	-	46,936	27,403
Public works	20,810	12,377	-	-	20,810	12,377
Culture and recreation	338	3,879	-	-	338	3,879
Water services	-	-	108,840	55,093	108,840	55,093
Sewer services	-	-	45,540	37,313	45,540	37,313
Total expenses	68,084	43,659	154,380	92,406	222,464	136,065
Change in net position	(25,240)	(1,844)	527,495	674,911	502,255	673,067
Net position at beginning of year	135,883	137,727	1,151,316	476,405	1,287,199	614,132
Net position at end of year	\$ 110,643	\$ 135,883	\$ 1,678,811	\$ 1,151,316	\$ 1,789,454	\$ 1,287,199

Governmental Activities

Revenue for the Town's governmental activities totaled \$42,844 for 2017. Tax revenue produced 49% of these revenues. Tax revenue includes property taxes, franchise taxes and other taxes.

Table 3
GOVERNMENTAL ACTIVITIES

	Total cost of services		Net cost of services	
	2017	2016	2017	2016
General government	\$ 46,936	\$ 27,403	\$ 44,132	\$ 24,853
Public works	20,810	12,377	5,526	(4,935)
Culture and recreation	338	3,879	(2,278)	3,879

Table 3, above, presents the cost and revenue of each of the Town's three largest programs – general government, public works and culture and recreation – as well as each program's *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Business-type Activities

Net position in the Town's business-type activities increased by \$527,495 in 2017. Business-type activities include electric, water, and sewer services.

**Table 4
BUSINESS-TYPE ACTIVITIES**

	Total cost of services		Net cost of services	
	2017	2016	2017	2016
Water services	\$ 108,840	\$ 55,093	\$ 2,643	\$ (660,193)
Sewer services	45,540	37,313	(530,138)	(14,718)

Table 4, above, presents the cost and revenue of each of the Town's business-type activities – water and sewer – as well as the program *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$57,511. The general fund and conservation trust fund reported fund balances of \$35,846 and \$21,665, respectively.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$35,446 below the final budget amounts, due in large part to professional service costs related to general government not realized as anticipated.

Additionally, resources available for appropriation (revenues) were \$50,820 less than the final budgeted amounts, due in large part to grant revenues not realized as anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Iliff's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$1,996,146 (net of accumulated depreciation). This amount includes a broad range of capital assets, including public works equipment, electric, water, sewer, and other infrastructure.

The Town remains committed to the upkeep and maintenance of the Town's largest assets. More detailed information about the Town's capital assets is presented in Table 5.

Table 5
CAPITAL ASSETS ON DECEMBER 31, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 25,169	\$ 25,507	\$ 17,607	\$ 17,607	\$ 42,776	\$ 43,114
Construction in progress	-	-	975,121	122,447	975,121	122,447
Buildings and improvements	21,598	22,131	-	-	21,598	22,131
Equipment	6,365	6,094	-	-	6,365	6,094
Systems	-	-	950,286	975,936	950,286	975,936
Total	\$ 53,132	\$ 53,732	\$ 1,943,014	\$ 1,115,990	\$ 1,996,146	\$ 1,169,722

Long-term debt. The Town had \$759,000 in debt outstanding at year-end. More detailed information about the Town's long-term debt is presented in Table 6 and Note F to the financial statements.

Table
LONG-TERM DEBT ON DECEMBER 31, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ -	\$ -	\$ 759,000	\$ 400,000	\$ 759,000	\$ 400,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wastewater Treatment Facility (WWTF) Update

Background: In 2013 the Colorado Department of Public Health and Environment notified the Town of Tiff that the current wastewater treatment system is not in compliance with environmental regulations. With this violation notification, the town was required to respond with a plan on how they would correct the violations to avoid significant monthly monetary fines. In June 2013, the town sent a correction plan to the Water Quality Control Division, Colorado Department of Public Health which stated by August 2014 the town would hire an engineer, secure the funding, and construct a new wastewater treatment facility. With many different roadblocks and the emergency repair of the main water supply into town due to the flood, this project was placed on hold. We have now started the process to construct the new WWTF. On May 11, 2017 the construction pre-bid meeting was held to solicit contractors that are interested in building the new treatment facility. The project construction notice to proceed was issued on September 5, 2017 with an expected final completion date of September 2018.

Project Funding: Total project budget is: \$1,730,500. To pay for the new WWTF the following funding sources have been secured:

- Applicant Contribution-\$10,000
- USDA Rural Development
 - Grants -\$1,106,500
 - Loans-\$414,000
- Colorado Department of Local Affairs grant-\$200,000

The project costs will be 73% grant funded with 27% funded with loans.

Rate Increase: To cover the costs of the loans to construct the new WWTF, the sewer rates will need to increase. The increase will cover the costs of the loan as well as the operation of the new treatment facility.

In September 2017, a sewer rate increase of \$10 was implemented. In January 2018 another proposed rate increase of \$10 will occur-\$7.50 applied to sewer and \$2.50 applied to water. The \$2.50 water increase is required to keep our rates consistent with the state averages for municipalities. The new rates are proposed increases and may vary as the 2018 town budget is constructed.

New Rates

September 2017-\$75.00

Water-\$38.75

Sewer-\$36.25

Proposed January 2018-\$85.00

Water-\$41.25

Sewer-\$43.75

Flood Recovery Update

In June of 2015, the Town of Iliff's main water supply line broke as a result of the flooded South Platte River. During this water break the Town of Iliff was without water for 23 days. During this time the town board frantically searched for a funding source to help implement a temporary water line fix until the permanent line that ran underneath the South Platte River south of town could be repaired. The funding sources secured for the temporary and permanent water line repairs were the Colorado Department of Local Affairs (DOLA), Department of Homeland Security (DHSEM) aka FEMA. Until the DOLA & DHSEM funds were dispersed, the Town of Iliff requested a Rural Economic Development loan of \$400,000 from Highline Electric Association (HEA) to get the temporary line in place until the grants funds were dispersed. The HEA loan has an interest rate of 3.5% per annum with an Administrative Charge of \$1,000 and an Administrative fee of \$2,000. At the end of 2017 the town paid \$13,749 in interest and administrative charges and fees to HEA for the loan. The loan agreement was renewed for 2018 at the same interest rates and charges as the DHSEM funds have not been fully paid to the town to pay off the HEA loan. The total project costs were approximately \$1,100,000 for the temporary line that was implemented in June of 2015 and the permanent line repair with the work being completed in November 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact Town of Iliff, P.O. Box 194, Iliff, Colorado 80736.

Basic Financial Statements

The basic financial statements of the Town include the following:

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

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

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

TOWN OF ILIFF, COLORADO
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 21,665	\$ 374,483	\$ 396,148
Cash with county treasurer	260		260
Certificates of deposit	40,533		40,533
Internal balances	(6,100)	6,100	-
Receivables	12,532	331,243	343,775
Capital assets, net of depreciation	53,132	1,943,014	1,996,146
Total assets	<u>\$ 122,022</u>	<u>\$ 2,654,840</u>	<u>\$ 2,776,862</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,274	\$ 211,481	\$ 212,755
Accrued interest payable		5,548	5,548
Noncurrent liabilities			
Due within one year		348,485	348,485
Due in more than one year		410,515	410,515
Total liabilities	1,274	976,029	977,303
Deferred inflows of resources			
Deferred property tax revenues	10,105		10,105
Total deferred inflows of resources	10,105	-	10,105
Net position			
Net investment in capital assets	53,132	1,184,014	1,237,146
Restricted for:			
Emergencies	1,300		1,300
Culture and recreation	21,665		21,665
Unrestricted	34,546	494,797	529,343
Total net position	<u>110,643</u>	<u>1,678,811</u>	<u>1,789,454</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 122,022</u>	<u>\$ 2,654,840</u>	<u>\$ 2,776,862</u>

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

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TOWN OF ILIFF, COLORADO
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 46,936	\$ 2,700	\$ 104	
Public works	20,810		15,284	
Culture and recreation	338		2,616	
Total governmental activities	68,084	2,700	18,004	\$ -
Business-type activities				
Water	108,840	71,908		34,289
Sewer	45,540	42,395		533,283
Total business-type activities	154,380	114,303	-	567,572
Total	<u>\$ 222,464</u>	<u>\$ 117,003</u>	<u>\$ 18,004</u>	<u>\$ 567,572</u>
		General revenues		
		Taxes		
		Property taxes, levied for general purposes		
		Other taxes		
		Franchise taxes		
		Mineral lease revenues		
		Unrestricted earnings on investments		
		Miscellaneous		
		Total general revenues		
		Change in net position		
		Net position at beginning of year		
		Net position at end of year		

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (44,132)		\$ (44,132)
(5,526)		(5,526)
2,278		2,278
(47,380)	\$ -	(47,380)
	(2,643)	(2,643)
	530,138	530,138
-	527,495	527,495
(47,380)	527,495	480,115
10,598		10,598
1,242		1,242
9,113		9,113
149		149
343		343
695		695
22,140	-	22,140
(25,240)	527,495	502,255
135,883	1,151,316	1,287,199
\$ 110,643	\$ 1,678,811	\$ 1,789,454

TOWN OF ILIFF, COLORADO
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Conservation Trust Fund	Total Governmental Funds
Assets			
Cash		\$ 21,665	\$ 21,665
Cash with county treasurer	\$ 260		260
Certificates of deposit	40,533		40,533
Accounts receivable	2,427		2,427
Property taxes receivable	10,105		10,105
	<u>53,325</u>	<u>21,665</u>	<u>74,990</u>
Total assets	\$ 53,325	\$ 21,665	\$ 74,990
Liabilities			
Accounts payable	\$ 1,274		\$ 1,274
Due to other funds	6,100		6,100
	<u>7,374</u>	<u>\$ -</u>	<u>7,374</u>
Total liabilities	7,374	\$ -	7,374
Deferred inflows of resources			
Deferred property tax revenues	10,105		10,105
	<u>10,105</u>	<u>-</u>	<u>10,105</u>
Total deferred inflows of resources	10,105	-	10,105
Fund balance			
Restricted for emergencies	1,300		1,300
Restricted for culture and recreation		21,665	21,665
Unassigned	34,546		34,546
	<u>35,846</u>	<u>21,665</u>	<u>57,511</u>
Total fund balance	35,846	21,665	57,511
Total liabilities, deferred inflows of resources and fund balance	\$ 53,325	\$ 21,665	\$ 74,990

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

TOWN OF ILIFF, 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 balances - governmental funds	\$ 57,511
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	<u>53,132</u>
Net position of governmental activities	<u>\$ 110,643</u>

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

TOWN OF ILIFF, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Conservation Trust Fund	Total Governmental Funds
Revenues			
Taxes	\$ 20,953		\$ 20,953
Intergovernmental revenue	15,537	\$ 2,616	18,153
Miscellaneous revenue	3,712	26	3,738
Total revenues	40,202	2,642	42,844
Expenditures			
Current			
General government	46,674		46,674
Public works	20,810		20,810
Total expenditures	67,484	-	67,484
Net change in fund balance	(27,282)	2,642	(24,640)
Fund balance at beginning of year	63,128	19,023	82,151
Fund balance at end of year	<u>\$ 35,846</u>	<u>\$ 21,665</u>	<u>\$ 57,511</u>

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

TOWN OF ILIFF, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

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

Net change in fund balances - governmental funds \$ (24,640)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.

(600)

Change in net position of governmental activities

\$ (25,240)

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

TOWN OF ILIFF, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
Assets			
Current assets			
Cash	\$ 138,612	\$ 235,871	\$ 374,483
Due from other funds	190,164		190,164
Accounts receivable	940	880	1,820
Grants receivable	125,361	204,062	329,423
Total current assets	455,077	440,813	895,890
Noncurrent assets			
Construction in progress		975,121	975,121
Capital assets, net of depreciation	877,353	90,540	967,893
Total noncurrent assets	877,353	1,065,661	1,943,014
Total assets	<u>\$ 1,332,430</u>	<u>\$ 1,506,474</u>	<u>\$ 2,838,904</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,985	\$ 209,496	\$ 211,481
Due to other funds		184,064	184,064
Accrued interest payable		5,548	5,548
Current portion of long-term debt	345,000	3,485	348,485
Total current liabilities	346,985	402,593	749,578
Noncurrent liabilities			
Long-term debt		410,515	410,515
Total liabilities	346,985	813,108	1,160,093
Net position			
Net investment in capital assets	532,353	651,661	1,184,014
Unrestricted	453,092	41,705	494,797
Total net position	985,445	693,366	1,678,811
Total liabilities and net position	<u>\$ 1,332,430</u>	<u>\$ 1,506,474</u>	<u>\$ 2,838,904</u>

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

TOWN OF ILIFF, COLORADO
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues			
Charges for services	\$ 71,908	\$ 42,395	\$ 114,303
Operating expenses			
Salaries	5,381	4,904	10,285
Contract labor	2,182	1,650	3,832
Legal and professional	41,209	6,821	48,030
Supplies	750		750
Repairs and maintenance	8,358	7,990	16,348
Utilities	3,399	670	4,069
Testing	7,196	12,970	20,166
Dues	1,229		1,229
Miscellaneous		1,021	1,021
Depreciation	25,387	3,966	29,353
Total operating expenses	95,091	39,992	135,083
Operating income (loss)	(23,183)	2,403	(20,780)
Nonoperating revenues (expenses)			
Grants	34,289	533,283	567,572
Interest and fiscal charges	(13,749)	(5,548)	(19,297)
Total nonoperating revenues (expenses)	20,540	527,735	548,275
Change in net position	(2,643)	530,138	527,495
Net position at beginning of year	988,088	163,228	1,151,316
Net position at end of year	\$ 985,445	\$ 693,366	\$ 1,678,811

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

TOWN OF ILIFF, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash flows from operating activities			
Receipts from customers	\$ 72,701	\$ 43,172	\$ 115,873
Internal activity - receipts from (payments to) other funds	(182,573)	176,473	(6,100)
Payments to suppliers	(79,152)	(121,673)	(200,825)
Payments to employees	<u>(5,381)</u>	<u>(4,904)</u>	<u>(10,285)</u>
Net cash provided (used) by operating activities	(194,405)	93,068	(101,337)
Cash flows from capital and related financing activities			
Grant revenues	343,455	329,221	672,676
Loan proceeds		414,000	414,000
Purchase of capital assets	(3,704)	(648,610)	(652,314)
Principal payments on loan	(55,000)		(55,000)
Interest and fiscal charges	<u>(13,749)</u>		<u>(13,749)</u>
Net cash provided by capital and related financing activities	<u>271,002</u>	<u>94,611</u>	<u>365,613</u>
Net increase in cash	76,597	187,679	264,276
Cash and cash equivalents at beginning of year	<u>62,015</u>	<u>48,192</u>	<u>110,207</u>
Cash and cash equivalents at end of year	<u>\$ 138,612</u>	<u>\$ 235,871</u>	<u>\$ 374,483</u>

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

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (23,183)	\$ 2,403	\$ (20,780)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	25,387	3,966	29,353
Changes in assets and liabilities			
Receivables	793	777	1,570
Interfund items	(182,573)	176,473	(6,100)
Accounts payable	(14,829)	(90,551)	(105,380)
Net cash provided (used) by operating activities	\$ (194,405)	\$ 93,068	\$ (101,337)

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies

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

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

A.1 – Reporting entity

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

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

A.2 – Fund accounting

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

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

Water Fund – This fund was established to account for all operations of the water utility services provided by the Town.

Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the Town.

A.3 – Basis of presentation

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

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

A.4 – Basis of accounting

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

A.5 – Encumbrances

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

A.6 – Cash and cash equivalents

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

A.7 – Short-term interfund receivables/payables

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

A.8 – Receivables

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Capital assets

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

All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis.

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

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

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	50 years	40 years
Equipment	3-25 years	3-10 years
Improvements other than buildings	10-50 years	25-50 years
Infrastructure	50 years	n/a

A.10 – Accrued liabilities and long-term obligations

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.11 – Fund balance

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

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

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

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the town council through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

When both restricted and unrestricted resources are available in governmental funds, the Town applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

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

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

A.13 – Operating revenues and expenses

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

A.14 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.15 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the town council and that are either unusual in nature or infrequent in occurrence. The Town had no transactions that qualify as extraordinary or special items during the year.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the Town's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the Town had total deposits of \$436,540, of which \$290,533 were insured and \$146,007 were collateralized with securities held by the pledging institution's trust department or agent in the Town's name.

Investments

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

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

At year-end the Town had investments in certificates of deposit.

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note C – Interfund transactions

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

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Water Fund	General Fund	\$ 6,100
Water Fund	Sewer Fund	<u>184,064</u>
Total		<u>\$ 190,164</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note D – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Accounts receivable	\$ 2,427	\$ 1,820	\$ 4,247
Property taxes receivable	10,105	-	10,105
Grants receivable	<u>-</u>	<u>329,423</u>	<u>329,423</u>
Total	<u>\$ 12,532</u>	<u>\$ 331,243</u>	<u>\$ 343,775</u>

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

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being				
Depreciated:				
Land	\$ 10,173	\$ -	\$ -	\$ 10,173
Total capital assets, not being depreciated	10,173	-	-	10,173
Capital assets, being depreciated:				
Land improvements	16,914	-	-	16,914
Buildings	28,063	-	-	28,063
Equipment	26,420	1,600	-	28,020
Office equipment	7,364	-	-	7,364
Total capital assets, being depreciated	<u>78,761</u>	<u>1,600</u>	<u>-</u>	<u>80,361</u>
Total capital assets	88,934	1,600	-	90,534
Less accumulated depreciation for:				
Land improvements	(1,580)	(338)	-	(1,918)
Buildings	(5,932)	(533)	-	(6,465)
Equipment	(20,325)	(1,329)	-	(21,654)
Office equipment	<u>(7,365)</u>	<u>-</u>	<u>-</u>	<u>(7,365)</u>
Total accumulated depreciation	<u>(35,202)</u>	<u>(2,200)</u>	<u>-</u>	<u>(37,402)</u>
Governmental activities capital assets, net	<u>\$ 53,732</u>	<u>\$ (600)</u>	<u>\$ -</u>	<u>\$ 53,132</u>

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note E – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 17,607	\$ -	\$ -	\$ 17,607
Construction in progress	<u>122,447</u>	<u>852,674</u>	<u>-</u>	<u>975,121</u>
Total capital assets, not being depreciated	140,054	852,674	-	992,728
Capital assets, being depreciated:				
Utility systems	<u>1,475,468</u>	<u>3,704</u>	<u>-</u>	<u>1,479,172</u>
Total capital assets, being depreciated	<u>1,475,468</u>	<u>3,704</u>	<u>-</u>	<u>1,479,172</u>
Total capital assets	1,615,522	856,378	-	2,471,900
Less accumulated depreciation for:				
Utility systems	<u>(499,533)</u>	<u>(29,353)</u>	<u>-</u>	<u>(528,886)</u>
Total accumulated depreciation	<u>(499,533)</u>	<u>(29,353)</u>	<u>-</u>	<u>(528,886)</u>
Business-type activities capital assets, net	<u>\$ 1,115,989</u>	<u>\$ 827,025</u>	<u>\$ -</u>	<u>\$ 1,943,014</u>

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

Governmental activities	
General government	\$ 1,862
Culture and recreation	<u>338</u>
Total governmental activities	2,200
Business-type activities	
Water	25,387
Sewer	<u>3,966</u>
Total business-type activities	<u>29,353</u>
Total depreciation expense	<u>\$ 31,553</u>

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note F – Long-term debt

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Business-type Activities					
Notes payable	\$ 400,000	\$ 414,000	\$ (55,000)	\$ 759,000	\$ 348,485

Highline Electric Association – Water Fund – The Town has entered into a \$400,000 note agreement with Highline Electric Association (HEA) dated February 12, 2016, which was to be due in full at December 31, 2016. HEA has subsequently extended the note until December 31, 2018, at which time all principal and accrued interest will be due in full. The note bears interest at a rate of 3.50%

\$ 345,000

USDA Rural Development – Sewer Fund – The Town has entered into a \$265,000 note agreement with USDA Rural Development (RD) dated May 1, 2017, due in semi-annual installments of \$4,794 through 2057. The agreement provides for the disbursement of funds at the Town’s request to facilitate the construction of a new wastewater facility. The note bears interest at a rate of 1.875%.

265,000

USDA Rural Development – Sewer Fund – The Town has entered into a \$149,000 note agreement with USDA Rural Development (RD) dated May 1, 2017, due in semi-annual installments of \$2,872 through 2057. The agreement provides for the disbursement of funds at the Town’s request to facilitate the construction of a new wastewater facility. The note bears interest at a rate of 2.250%.

149,000

Total

\$ 759,000

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note F – Long-term debt (Continued)

The following schedule represents the Town’s debt service requirements to maturity for the outstanding notes payable at year-end:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 348,485	\$ 24,577	\$ 373,062
2019	7,146	8,185	15,331
2020	7,268	8,063	15,331
2021	7,436	7,895	15,331
2022	7,587	7,744	15,331
2023-2027	40,280	36,375	76,655
2028-2032	44,511	32,144	76,655
2033-2037	49,229	27,426	76,655
2038-2042	54,428	22,227	76,655
2043-2047	60,182	16,473	76,655
2048-2052	66,546	10,109	76,655
2053-2057	<u>65,902</u>	<u>3,087</u>	<u>68,989</u>
Total	<u>\$ 759,000</u>	<u>\$ 204,305</u>	<u>\$ 963,305</u>

Note G – Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Settled claims resulting from any of the above risks have not exceeded the coverages provided. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H – Commitments and contingencies

Taxpayer’s Bill of Rights (TABOR)

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer’s Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be

TOWN OF ILIFF, COLORADO
Notes to Financial Statements

Note H – Commitments and contingencies (Continued)

refunded or approved to be retained by the Town under specified voting requirements by the entire electorate. In November 2003, the voters of the Town approved a ballot initiative permitting the Town to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution.

TABOR is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of TABOR. However, the Town has made certain interpretations of TABOR's language in order to determine its compliance. The Town has reserved funds in the General Fund in the amount of \$1,300 for the emergency reserve.

Note I – Wastewater Treatment Project

The Town is in the process of renovating its wastewater treatment system, with an anticipated cost of \$1,730,500, funded primarily through grants and loans. The Town anticipates the project will be completed in 2018.

Required Supplementary Information

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund. The Town has one major special revenue fund.

- General Fund – The General Fund is the operating fund of the Town. It is used to account for most of the day-to-day operations of the Town which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the Town, except for activities of the enterprise funds.
- Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

TOWN OF ILIFF, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 20,096	\$ 20,096	\$ 20,953	\$ 857
Licenses and fees	1,274	1,274		(1,274)
Intergovernmental revenue	66,526	66,526	15,537	(50,989)
Miscellaneous revenue	3,126	3,126	3,712	586
Total revenues	91,022	91,022	40,202	(50,820)
Expenditures				
Current				
General government	91,719	91,719	46,674	45,045
Public safety	11,211	11,211	20,810	(9,599)
Total expenditures	102,930	102,930	67,484	35,446
Net change in fund balance	<u>\$ (11,908)</u>	<u>\$ (11,908)</u>	(27,282)	<u>\$ (15,374)</u>
Fund balance at beginning of year			<u>63,128</u>	
Fund balance at end of year			<u>\$ 35,846</u>	

TOWN OF ILIFF, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State lottery funds	\$ 3,473	\$ 3,473	\$ 2,616	\$ (857)
Interest on investments			26	26
Total revenues	3,473	3,473	2,642	(831)
Expenditures				
Culture and recreation				
Park maintenance				-
Total expenditures	-	-	-	-
Net change in fund balance	<u>\$ 3,473</u>	<u>\$ 3,473</u>	2,642	<u>\$ (831)</u>
Fund balance at beginning of year			<u>19,023</u>	
Fund balance at end of year			<u>\$ 21,665</u>	

TOWN OF ILIFF, COLORADO
Notes to the Required Supplementary Information

Note A – Budgetary data

Annual budgets are established for all funds of the Town. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise funds (electric, water and sewer) in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

An appropriated budget for the entity as a whole is prepared on a detailed basis. Revenues are budgeted by source. Expenditures are budgeted by department and the major divisions thereof and by each independent office and agency and by the principal objects of expenditure. The legal level of control is considered to be the entity as a whole and expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by Town council. Within these control levels, management may transfer appropriations without Town council approval.

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

- On or before October 15, the Town Clerk submits to the Town board of trustees, a proposed budget for the following calendar year.
- A proposed budget is made available for public inspection, and public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the Town must adopt the budget by formal resolution and certify the mill levies to the County Commissioners.
- On or before December 31, the Town must enact a resolution making appropriations for the following calendar year.

Other Supplementary Information

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

Such statements and schedules include:

- Budgetary Comparison Schedules – General Fund Revenues and Expenditures
- Budgetary Comparison Schedules – Enterprise Funds

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Budgetary Comparison Schedules – General Fund

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

TOWN OF ILIFF, COLORADO
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Local property taxes	\$ 10,747	\$ 10,747	\$ 10,598	\$ (149)
Specific ownership taxes	1,158	1,158	1,179	21
Delinquent taxes and interest	87	87	63	(24)
Franchise taxes	8,104	8,104	9,113	1,009
Total taxes	20,096	20,096	20,953	857
Licenses and fees	1,274	1,274		(1,274)
Intergovernmental revenues				
Grants	50,000	50,000		(50,000)
Highway users tax	12,734	12,734	12,442	(292)
Motor vehicle assessment	1,505	1,505	1,693	188
Road and bridge tax	1,158	1,158	1,149	(9)
Severance tax	579	579	104	(475)
Cigarette tax	87	87		(87)
Mineral lease	463	463	149	(314)
Total intergovernmental revenues	66,526	66,526	15,537	(50,989)
Miscellaneous revenues				
Tower rent	3,126	3,126	2,700	(426)
Miscellaneous			695	695
Interest on investments			317	317
Total miscellaneous revenues	3,126	3,126	3,712	586
Total revenues	\$ 91,022	\$ 91,022	\$ 40,202	\$ (50,820)

TOWN OF ILIFF, COLORADO
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Salaries	\$ 10,260	\$ 10,260	\$ 5,819	\$ 4,441
Payroll taxes	1,900	1,900	1,759	141
Office supplies	4,784	4,784	3,889	895
Professional services	61,808	61,808	15,792	46,016
Mileage and meals	1,567	1,567	616	951
Advertising and legal notices	439	439	148	291
Dues	443	443	889	(446)
Insurance and bonds	4,894	4,894	7,072	(2,178)
Public utility services	2,138	2,138	5,101	(2,963)
Repairs and maintenance			586	(586)
Treasurer's fees	250	250	236	14
Miscellaneous	2,606	2,606	3,127	(521)
Elections	630	630	40	590
Capital outlay			1,600	(1,600)
Total general government	91,719	91,719	46,674	45,045
Public works				
Streets and highways				
Street maintenance	9,387	9,387	20,810	(11,423)
Street lighting	1,824	1,824		1,824
Total public works	11,211	11,211	20,810	(9,599)
Total expenditures	\$ 102,930	\$ 102,930	\$ 67,484	\$ 35,446

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Budgetary Comparison Schedules – Enterprise Funds

The Town reports the following major proprietary funds:

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

- Water Fund – This fund was established to account for all operations of the water utility service provided by the Town.
- Sewer Fund – This fund was established to account for all operations of the sewer utility service provided by the Town.

TOWN OF ILIFF, COLORADO
Water Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 65,914	\$ 65,914	\$ 71,908	\$ 5,994
Operating expenses				
Salaries	15,300	15,300	5,381	9,919
Contract labor			2,182	(2,182)
Legal and professional			41,209	(41,209)
Supplies	4,623	4,623	750	3,873
Repairs and maintenance	10,500	10,500	8,358	2,142
Utilities	5,072	5,072	3,399	1,673
Testing	1,147	1,147	7,196	(6,049)
Assessments	1,808	1,808		1,808
Dues			1,229	(1,229)
Capital purchases	10,000	154,050	3,704	150,346
Total operating expenses	48,450	192,500	73,408	119,092
Operating income (loss)	17,464	(126,586)	(1,500)	125,086
Nonoperating revenues (expenses)				
Grants	10,000	10,000	34,289	24,289
Principal paid on loan			(55,000)	(55,000)
Interest and fiscal charges	(7,500)	(7,500)	(13,749)	(6,249)
Total nonoperating revenues (expenses)	2,500	2,500	(34,460)	(36,960)
Change in net position	\$ 19,964	\$ (124,086)	(35,960)	\$ (88,126)
Adjustments to GAAP Basis				
Add capital purchases			3,704	
Add principal paid on loan			55,000	
Deduct depreciation			(25,387)	
Change in net position - GAAP Basis			(2,643)	
Net position at beginning of year			988,088	
Net position at end of year			\$ 985,445	

TOWN OF ILIFF, COLORADO
Sewer Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 70,166	\$ 70,166	\$ 42,395	\$ (27,771)
Operating expenses				
Salaries	18,345	18,345	4,904	13,441
Contract labor			1,650	(1,650)
Legal and professional			6,821	(6,821)
Supplies	190	190		190
Repairs and maintenance	3,127	3,127	7,990	(4,863)
Testing	1,260	1,260	12,970	(11,710)
Utilities	988	988	670	318
Miscellaneous			1,021	(1,021)
Capital outlay	<u>1,450,500</u>	<u>1,450,500</u>	<u>852,674</u>	<u>597,826</u>
Total operating expenses	<u>1,474,410</u>	<u>1,474,410</u>	<u>888,700</u>	<u>585,710</u>
Operating loss	(1,404,244)	(1,404,244)	(846,305)	557,939
Nonoperating revenues (expenses)				
Grants and loans	1,450,500	1,450,500	947,283	(503,217)
Interest and fiscal charges			<u>(5,548)</u>	<u>(5,548)</u>
Total nonoperating revenues (expenses)	<u>1,450,500</u>	<u>1,450,500</u>	<u>941,735</u>	<u>(508,765)</u>
Change in net position	<u>\$ 46,256</u>	<u>\$ 46,256</u>	95,430	<u>\$ 49,174</u>
Adjustments to GAAP Basis				
Add capital outlay			852,674	
Deduct loan proceeds			(414,000)	
Deduct depreciation			<u>(3,966)</u>	
Change in net position - GAAP Basis			530,138	
Net position at beginning of year			<u>163,228</u>	
Net position at end of year			<u>\$ 693,366</u>	

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

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

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Iliff YEAR ENDING : December 2017
-------------------------------------	--------------------------------------------------------------------

This Information From The Records Of (example - City of _ or County of _)
 Town of Iliff

Prepared By: Karen Batman
 Phone: (970) 522-2283

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	19,910
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	900
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	900
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	20,810
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	0	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	12,442	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	12,442	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	20,810

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	89,427	12,442	20,810	81,059	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		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other	
c. Total (a. + b.)	0	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	12,442	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		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	12,442	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			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments:

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Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

TOWN OF ILIFF, COLORADO
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
Pass-through program from USDA Rural Development:			
Water and Waste Disposal Systems for Rural Communities	10.760	*	\$ 801,820
Total U.S. Department of Agriculture			801,820
<u>U.S. Department of the Interior:</u>			
Pass-through program from Colorado Department of Local Affairs:			
Distribution of Receipts to State and Local Governments	15.227	EIAF 8009	175,623
Total U.S. Department of the Interior			175,623
<u>U.S. Department of Homeland Security:</u>			
Pass-through program from Colorado Department of Public Safety:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	15-D4229-001	4,130
Total U.S. Department of Human Services			4,130
Total Expenditures of Federal Awards			\$ 981,573

* Pass-through identifying number is not readily available.

See accompanying Notes to Schedule of Expenditures of Federal Awards

TOWN OF ILIFF, COLORADO
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Note A – Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Iliff, Colorado, under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Iliff, Colorado, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Iliff, Colorado.

Note B – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect cost rate

The Town has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D – Subrecipients

The Town did not pass through any federal grants to subrecipients.

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of Town Council
Town of Iliff
Iliff, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iliff, Colorado (the Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 20, 2018



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and Members of Town Council
Town of Iliff
Iliff, Colorado

Report on Compliance of Each Major Federal Program

We have audited Town of Iliff, Colorado's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2017. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Town's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 20, 2018

TOWN OF ILIFF, COLORADO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Summary of auditors' results

1. The auditors' report expresses an unmodified opinion on the financial statements of Town of Iliff, Colorado (the Town).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs of the Town expresses an unmodified opinion on all major federal award programs.
6. The audit did not disclose any findings relative to the major federal award programs of the Town.
7. The program tested as a major program included:

Water and Waste Disposal Systems for Rural Communities CFDA No. 10.760
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Town did not qualify as a low-risk auditee.

Findings – financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and questioned costs – major federal award programs audit

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.