

Town of Kremmling, Colorado

Financial Report

December 31, 2017



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July 27, 2018

**Town of Kremmling, Colorado
Financial Report
December 31, 2017**

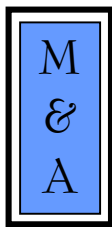
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Trustees Town of Kremmling, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 of Kremmling, Colorado 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
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INDEPENDENT AUDITOR'S REPORT
To the Mayor and Board of Trustees
Town of Kremmling, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in section B, and the Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of Town Contributions in section E, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining non-major fund financial statements, individual fund budgetary comparison information in section F, and the *Local Highway Finance Report* in section G, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements, individual fund budgetary comparison information, and the *Local Highway Finance Report* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



Town of Kremmling, Colorado

Management's Discussion and Analysis December 31, 2017

As management of the Town of Kremmling, Colorado (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2017.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the 2017 fiscal year by \$9,963,592 (net position). Of this amount, the unrestricted net position of \$2,005,784 may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased in the 2017 fiscal year by \$77,635 as governmental activities and business-type activities realized decreases of \$63,834 and \$13,801, respectively, from activities in the past year.
- At December 31, 2017, the unassigned fund balance of the General Fund was \$746,482, or approximately 62% of budgeted fiscal year 2018 General Fund expenditures.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all the Town'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 is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages C1 and C2 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Overview of the Financial Statements (continued)

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

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

The Town's major governmental fund is the General Fund and. The Conservation Trust Fund, the Recreation Fund, and the Grant Fund are considered non-major funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

As required by Colorado statutes, the Town is required to adopt an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided for the General Fund and all other funds to demonstrate compliance.

The basic governmental fund financial statements can be found on pages C3 through C5.

Proprietary Funds: The Town maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water system and trash collection.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the Town, each of which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

Notes to the Financial Statements: The notes provide additional information (e.g., background of entity, accounting policies used by Town, etc.) 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 in Section D of this report.

Other Information: As previously discussed, the Town adopts annual appropriated budgets for all its funds in accordance with Colorado statutes. The budgetary comparison schedules have been provided for all its funds to demonstrate compliance with the budget law and are found on pages E1 through E4 and F3 through F8.

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages F1 and F2. In addition, the Local Highway Finance Report – other supplementary information required by Colorado Statutes – is presented in Section G.

Government-wide Financial Analysis

Town of Kremmling's Net Position:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$1,105,233	1,468,822	1,264,110	1,026,018	2,369,343	2,494,840
Capital assets, net	2,959,924	2,689,013	6,478,364	6,774,127	9,438,288	9,463,140
Total Assets	<u>4,065,157</u>	<u>4,157,835</u>	<u>7,742,474</u>	<u>7,800,145</u>	<u>11,807,631</u>	<u>11,957,980</u>
Deferred Outflows of Resources:						
Pension related deferred outflows	53,102	46,926	-	-	53,102	46,926
Total Deferred Outflow of Resources	<u>53,102</u>	<u>46,926</u>	<u>-</u>	<u>-</u>	<u>53,102</u>	<u>46,926</u>
Liabilities:						
Long-term liabilities	34,180	42,128	1,534,515	1,602,207	1,568,695	1,644,335
Other liabilities	111,187	133,118	73,480	49,658	184,667	182,776
Total Liabilities	<u>145,367</u>	<u>175,246</u>	<u>1,607,995</u>	<u>1,651,865</u>	<u>1,753,362</u>	<u>1,827,111</u>
Deferred Inflows of Resources:						
Unavailable property tax revenue	142,631	135,248	-	-	142,631	135,248
Pension related deferred inflows	1,148	1,320	-	-	1,148	1,320
Total Deferred Inflow of Resources	<u>143,779</u>	<u>136,568</u>	<u>-</u>	<u>-</u>	<u>143,779</u>	<u>136,568</u>
Net Position:						
Net invested in capital assets	2,959,140	2,679,094	4,952,903	5,179,470	7,912,043	7,858,564
Restricted for emergencies	45,765	38,000	-	-	45,765	38,000
Restricted for pensions	-	465	-	-	-	465
Unrestricted	824,208	1,175,388	1,181,576	968,810	2,005,784	2,144,198
Total Net Position	<u>\$3,829,113</u>	<u>3,892,947</u>	<u>6,134,479</u>	<u>6,148,280</u>	<u>9,963,592</u>	<u>10,041,227</u>

During 2017, capital assets decreased by \$24,852 on a net basis. This change in capital assets is comprised of \$512,746 in infrastructure asset additions; less aggregate depreciation expense of \$537,598. The Town's aggregate cash balances decreased by \$125,497 during 2017, reflecting the Town's portion of the projects described above.

The Town's liabilities decreased \$73,749 during 2017. This decrease was primarily the result of principal payments on the Town's long-term liabilities together with a decrease in other payables. Long-term liabilities, which are comprised of a loan with the Colorado Water Conservation Board; 2004 Water Revenue Refunding Bonds; and accrued compensated absences, decreased by a total of \$74,856.

Traditionally, the largest portion of any municipality's investments is in its capital assets used to deliver and provide services to its residents and visitors. The Town's investment in capital assets accounted for 79% of its total net position at the end of 2017; which represents an increase of 1% from the previous year-end. Net investment in capital assets is not an available source of payment for future spending. Of the remaining \$2,051,549 in net position, \$45,765 is restricted for use in the event of an emergency as required by the Taxpayers' Bill of Rights ("TABOR"), and \$2,005,784 may be used to meet the Town's ongoing operating obligations. The Town's unrestricted net position decreased by \$138,414 during 2017; this change is subsequently explained.

At the end of the 2017 fiscal year, the Town is able to report positive balances in all three categories of net position; first for the government as a whole, and then as separate governmental and business-type activities. This same report can also be made for the prior fiscal year.

Government-wide Financial Analysis (continued)

The following table summarizes information relating to the Town's Statement of Activities:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 54,964	45,812	879,070	868,852	934,034	914,664
Grants and contributions	77,688	77,703	9,600	9,600	87,288	87,303
General revenues:						
Sales and use taxes	832,515	821,040	-	-	832,515	821,040
Property taxes	136,653	137,489	-	-	136,653	137,489
Other taxes	82,258	89,892	-	-	82,258	89,892
Miscellaneous	5,630	22,560	-	-	5,630	22,560
Interest	8,898	9,042	1,449	384	10,347	9,426
Total Revenues	<u>1,198,606</u>	<u>1,203,538</u>	<u>890,119</u>	<u>878,836</u>	<u>2,088,725</u>	<u>2,082,374</u>
Expenses:						
General government	351,530	311,881	-	-	351,530	311,881
Public safety	443,327	433,684	-	-	443,327	433,684
Public works	341,449	342,038	-	-	341,449	342,038
Culture and recreation	126,134	123,158	-	-	126,134	123,158
Water	-	-	684,645	631,989	684,645	631,989
Solid waste	-	-	219,275	217,305	219,275	217,305
Total Expenses	<u>1,262,440</u>	<u>1,210,761</u>	<u>903,920</u>	<u>849,294</u>	<u>2,166,360</u>	<u>2,060,055</u>
Change in Net Position Before Transfers	(63,834)	(7,223)	(13,801)	29,542	(77,635)	22,319
Transfers	-	(50,000)	-	50,000	-	-
Change in Net Position	<u>(63,834)</u>	<u>(57,223)</u>	<u>(13,801)</u>	<u>79,542</u>	<u>(77,635)</u>	<u>22,319</u>
Net Position - Beginning of Year	<u>3,892,947</u>	<u>3,950,170</u>	<u>6,148,280</u>	<u>6,068,738</u>	<u>10,041,227</u>	<u>10,018,908</u>
Net Position - End of Year	<u>\$3,829,113</u>	<u>3,892,947</u>	<u>6,134,479</u>	<u>6,148,280</u>	<u>9,963,592</u>	<u>10,041,227</u>

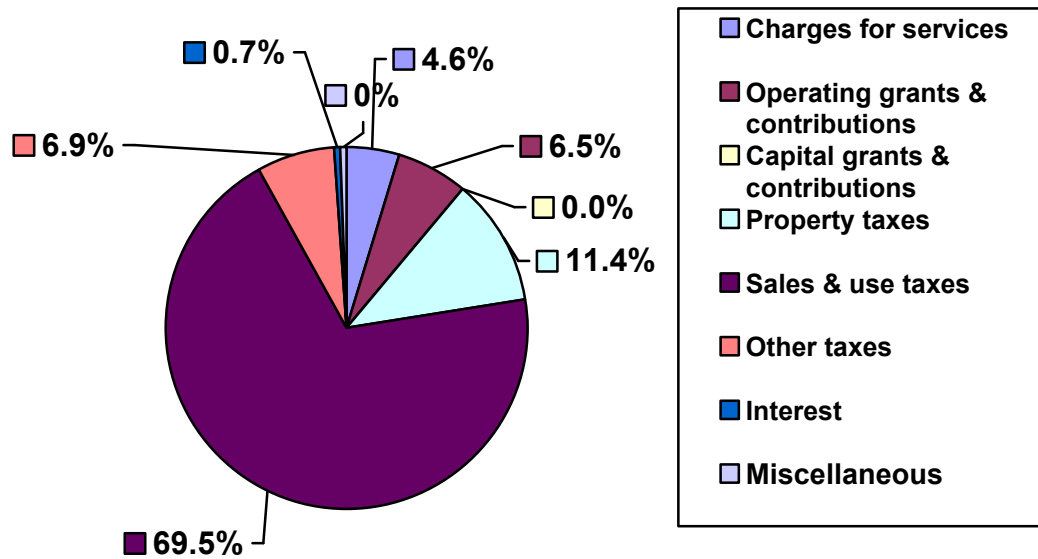
The decrease in net position during 2017, as compared to the increase in 2016, was due to higher expenses in the general government, public safety and water categories.

Revenues increased by \$6,366 between 2016 and 2017. Sales and use tax revenue increased by \$11,475 from the previous year primarily due to new businesses opening within the Town and a rebound in the economy nationwide.

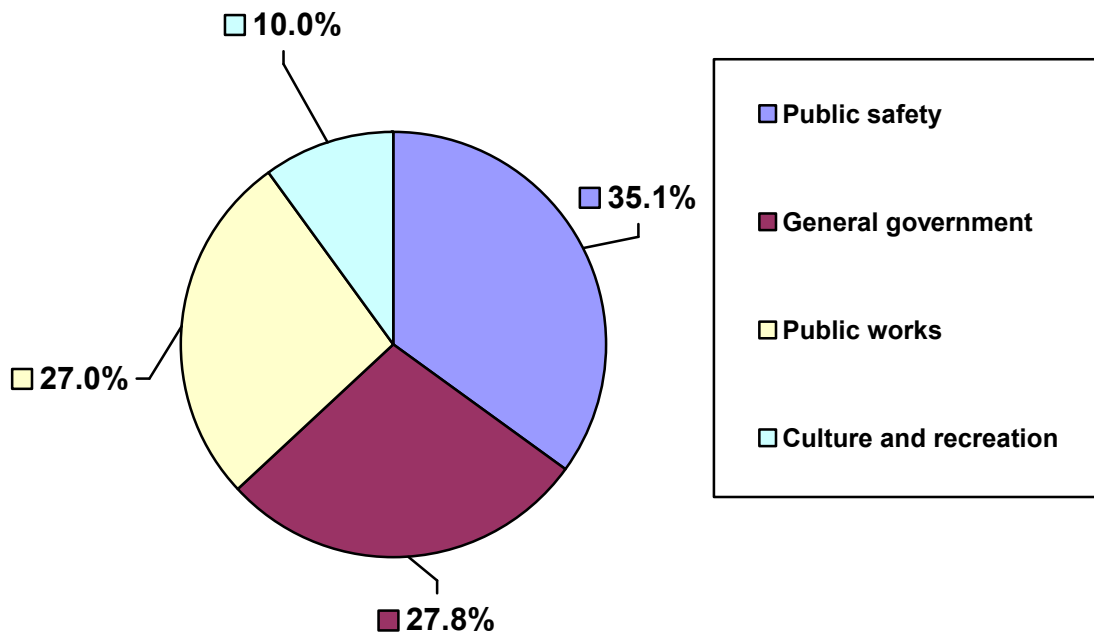
Total 2017 expenses of the Town increased by \$106,305, or approximately 5% over total expenses in the prior year. The increase in the Town's expenses represents increases to Public Safety, and Water programs and personnel costs.

Government-wide Financial Analysis (continued)

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

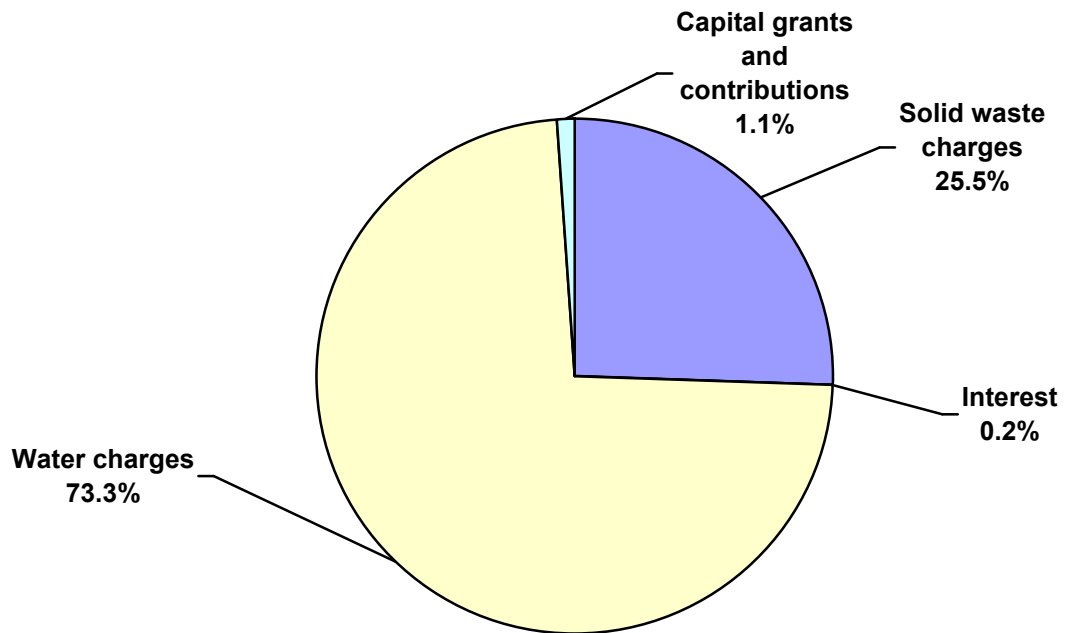


EXPENSES BY FUNCTIONS – GOVERNMENTAL ACTIVITIES

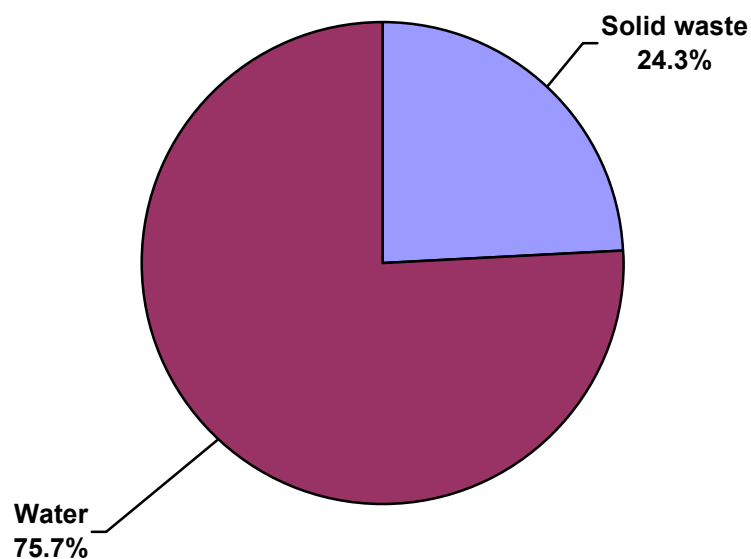


Government-wide Financial Analysis (continued)

REVENUE BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES BY FUNCTION – BUSINESS-TYPE ACTIVITIES



Budget Amendments: The Town adopted a budget amendment for the General Fund in 2017.

Government-wide Financial Analysis (continued)

Budget Variances in the General Fund: In total, the Town's General Fund ended 2017 \$354,805 ahead of budget, as revenues were \$227,420 higher than anticipated while expenditures were \$141,335 lower than budgeted. The General Fund budgetary comparison schedules can be found on pages E1 through E4 in the financial report.

Significant Variances in the General Fund:

Resources	Final Budget	Actual Amounts	Variance Positive (Negative)	Reason
Revenues:				
General sales and use taxes	\$ 600,000	832,515	232,515	Sales tax was up due to the increasing economy and a very good winter snowmobiling season in conjunction with a conservative budget.
Expenditures:				
Public Works - Salaries and wages	100,000	73,621	26,379	The Town's Public works department had a vacant position for the majority of the year.

Capital Assets: As previously discussed, the Town's capital assets decreased by \$24,852 during the past year, as depreciation exceeded additions. Additional information, as well as a detailed classification of the Town's net capital assets can be found in Note IV.C., in section D of this report.

Long-term Liabilities: As of the end of the current fiscal year, the Town's long-term liabilities decreased by \$75,640 from 2016; primarily due to scheduled principal payments of \$69,196 during 2017. Additional information as well as a detailed classification of the Town's long-term liabilities can be found in Note IV.E in section D of this report.

Next Year's Budget and Rates: The Town's General Fund balance at the end of the fiscal year 2017 totaled \$792,247, a decrease of \$352,345 from 2016. The 2018 budget and appropriations anticipate a decrease in General Fund balance. The 2018 budget anticipates General Fund revenues of \$964,700; expenditures of \$1,207,865; for a net decrease of \$243,165 in the General Fund by the end of 2018.

2017 was a good year for the Town of Kremmling. A large part was due to the opening of new businesses in the Town. Also, the Colorado and national economy has still been on an upward track and the Town has managed to keep pace and have a third successive year of sales tax records.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Kremmling, P.O. Box 538, Kremmling, Colorado 80459-0538.

GOVERNMENT-WIDE FINANCIAL STATEMENTS



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

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments - Unrestricted	714,705	1,035,529	1,750,234
Cash and investments - Restricted	-	124,706	124,706
Accounts receivable, net of allowance for doubtful accounts:			
Sales taxes	144,018	-	144,018
Property taxes	142,631	-	142,631
Sewer	82,771	-	82,771
Other	21,108	103,875	124,983
Capital assets, not being depreciated	120,070	432,528	552,598
Capital assets, net of accumulated depreciation	<u>2,839,854</u>	<u>6,045,836</u>	<u>8,885,690</u>
Total Assets	<u>4,065,157</u>	<u>7,742,474</u>	<u>11,807,631</u>
Deferred Outflows of Resources:			
Pension related deferred outflows	<u>53,102</u>	<u>-</u>	<u>53,102</u>
Total Deferred Outflows of Resources	<u>53,102</u>	<u>-</u>	<u>53,102</u>
Liabilities:			
Accounts payable	83,428	28,697	112,125
Accrued salaries and benefits	17,922	2,718	20,640
Accrued interest payable	-	42,065	42,065
Net pension liability	9,053	-	9,053
Accrued compensated absences:			
Due in more than one year	34,180	9,054	43,234
Notes payable:			
Due in one year	-	46,074	46,074
Due in more than one year	-	1,239,387	1,239,387
Leases payable:			
Due in one year	784	-	784
Bonds payable:			
Due in one year	-	25,000	25,000
Due in more than one year	<u>-</u>	<u>215,000</u>	<u>215,000</u>
Total Liabilities	<u>145,367</u>	<u>1,607,995</u>	<u>1,753,362</u>
Deferred Inflows of Resources:			
Property taxes	142,631	-	142,631
Pension related deferred inflows	<u>1,148</u>	<u>-</u>	<u>1,148</u>
Total Deferred Inflows of Resources	<u>143,779</u>	<u>-</u>	<u>143,779</u>
Net Position:			
Net investment in capital assets	2,959,140	4,952,903	7,912,043
Restricted for emergencies	45,765	-	45,765
Unrestricted	<u>824,208</u>	<u>1,181,576</u>	<u>2,005,784</u>
Total Net Position	<u><u>3,829,113</u></u>	<u><u>6,134,479</u></u>	<u><u>9,963,592</u></u>

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

Town of Kremmling, Colorado
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	351,530	26,729	-	-	(324,801)		(324,801)
Public safety	443,327	16,475	-	-	(426,852)		(426,852)
Public works	341,449	-	64,220	-	(277,229)		(277,229)
Culture and recreation	126,134	11,760	13,468	-	(100,906)		(100,906)
Total - Governmental activities	<u>1,262,440</u>	<u>54,964</u>	<u>77,688</u>	<u>-</u>	<u>(1,129,788)</u>		<u>(1,129,788)</u>
Business-type activities:							
Water	684,645	652,391	-	9,600		(22,654)	(22,654)
Solid waste	219,275	226,679	-	-		7,404	7,404
Total - Business-type activities	<u>903,920</u>	<u>879,070</u>	<u>-</u>	<u>9,600</u>		<u>(15,250)</u>	<u>(15,250)</u>
Total	<u>2,166,360</u>	<u>934,034</u>	<u>77,688</u>	<u>9,600</u>	<u>(1,129,788)</u>	<u>(15,250)</u>	<u>(1,145,038)</u>
General revenues:							
Taxes:							
Sales and use taxes					832,515	-	832,515
Property taxes, levied for general purposes					136,653	-	136,653
Specific ownership taxes					9,613	-	9,613
Franchise taxes					47,781	-	47,781
Cigarette taxes					2,239	-	2,239
Motor vehicle taxes					8,846	-	8,846
Other taxes					13,779	-	13,779
Investment earnings					8,898	1,449	10,347
Miscellaneous revenues					5,630	-	5,630
Total - General revenues and transfers					<u>1,065,954</u>	<u>1,449</u>	<u>1,067,403</u>
Change in Net Position					(63,834)	(13,801)	(77,635)
Net Position - Beginning of Year					3,892,947	6,148,280	10,041,227
Net Position - End of Year					<u>3,829,113</u>	<u>6,134,479</u>	<u>9,963,592</u>

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

FUND FINANCIAL STATEMENTS



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

	General Fund	Non-major Governmental Funds	Total
Assets:			
Cash and investments - Unrestricted	640,461	74,244	714,705
Accounts receivable, net of allowance for doubtful accounts:			
Sales taxes	144,018	-	144,018
Property taxes	142,631	-	142,631
Sewer	82,771	-	82,771
Other	21,108	-	21,108
Total Assets	<u>1,030,989</u>	<u>74,244</u>	<u>1,105,233</u>
Liabilities:			
Accounts payable	78,189	5,239	83,428
Accrued salaries and benefits	17,922	-	17,922
Total Liabilities	<u>96,111</u>	<u>5,239</u>	<u>101,350</u>
Deferred Inflows of Resources:			
Unavailable property tax revenue	142,631	-	142,631
Fund Balances:			
Restricted for:			
Emergencies	45,765	-	45,765
Conservation Trust Fund	-	48,697	48,697
Recreation Fund	-	17,308	17,308
Grant Fund	-	3,000	3,000
Unassigned:			
General Fund	746,482	-	746,482
Total Fund Balances	<u>792,247</u>	<u>69,005</u>	<u>861,252</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>1,030,989</u>	<u>74,244</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,959,924
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(34,964)
The net pension liability and related deferrals are not due and payable in the current period and, therefore, are not reported in the funds.	<u>42,901</u>

Net Position of Governmental Activities	<u><u>3,829,113</u></u>
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The accompanying notes are an integral part of these financial statements.

Town of Kremmling, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Non-major Governmental Funds	Total
Revenues:			
Taxes	1,038,830	-	1,038,830
Licenses and permits	6,480	-	6,480
Intergovernmental	90,582	13,468	104,050
Charges for services	20,249	11,760	32,009
Fines and forfeitures	16,475	-	16,475
Interest	8,874	24	8,898
Other	5,630	-	5,630
Total Revenues	1,187,120	25,252	1,212,372
Expenditures:			
General government	334,729	-	334,729
Public safety	456,415	-	456,415
Public works	687,807	-	687,807
Culture and recreation	46,564	11,646	58,210
Total Expenditures	1,525,515	11,646	1,537,161
Excess (Deficiency) of Revenues over Expenditures	(338,395)	13,606	(324,789)
Other Financing Sources (Uses):			
Litigation settlement	(13,950)	-	(13,950)
Total Other Financing Sources (Uses)	(13,950)	-	(13,950)
Net Change in Fund Balances	(352,345)	13,606	(338,739)
Fund Balances - Beginning of Year	1,144,592	55,399	1,199,991
Fund Balances - End of Year	792,247	69,005	861,252

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

Town of Kremmling, 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

Net Change in Fund Balances of Governmental Funds	(338,739)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year.	270,911
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. This is the amount of principal payments made during the year.	9,135
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the funds.	(5,141)
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Change in Net Position of Governmental Activities	(63,834)
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Town of Kremmling, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2017

	Water Fund	Solid Waste Fund	Total
Assets:			
Current Assets:			
Cash and investments - Unrestricted	1,030,143	5,386	1,035,529
Cash and investments - Restricted	124,706	-	124,706
Receivables, net of allowance for doubtful accounts	77,568	26,307	103,875
Total Current Assets	<u>1,232,417</u>	<u>31,693</u>	<u>1,264,110</u>
Non-current Assets:			
Capital assets, net of accumulated depreciation	6,478,364	-	6,478,364
Total Non-current Assets	<u>6,478,364</u>	<u>-</u>	<u>6,478,364</u>
Total Assets	<u>7,710,781</u>	<u>31,693</u>	<u>7,742,474</u>
Liabilities:			
Current Liabilities:			
Accounts payable	28,661	36	28,697
Accrued salaries and benefits	2,575	143	2,718
Accrued interest payable	42,065	-	42,065
Current portion of long-term debt	71,074	-	71,074
Total Current Liabilities	<u>144,375</u>	<u>179</u>	<u>144,554</u>
Non-current Liabilities:			
Accrued compensated absences	8,634	420	9,054
Water revenue bonds payable	215,000	-	215,000
Note payable	1,239,387	-	1,239,387
Total Non-current Liabilities	<u>1,463,021</u>	<u>420</u>	<u>1,463,441</u>
Total Liabilities	<u>1,607,396</u>	<u>599</u>	<u>1,607,995</u>
Net Position:			
Net investment in capital assets	4,952,903	-	4,952,903
Unrestricted	1,150,482	31,094	1,181,576
Total Net Position	<u>6,103,385</u>	<u>31,094</u>	<u>6,134,479</u>

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

Town of Kremmling, Colorado
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Water Fund	Solid Waste Fund	Total
Operating Revenues:			
Water sales	642,852	-	642,852
Solid waste charges	-	226,675	226,675
Miscellaneous income	9,540	-	9,540
Total Operating Revenues	652,392	226,675	879,067
Operating Expenses:			
Solid waste	-	219,275	219,275
Administration	193,973	-	193,973
Water plant	67,676	-	67,676
Distribution	23,887	-	23,887
Water supply	7,913	-	7,913
Depreciation	295,763	-	295,763
Total Operating Expenses	589,212	219,275	808,487
Operating Income (Loss)	63,180	7,400	70,580
Non-operating Revenues (Expenses):			
Interest income	1,449	-	1,449
Interest expense	(69,494)	-	(69,494)
Litigation settlement	(25,936)	-	(25,936)
Total Non-operating (Expenses)	(93,981)	-	(93,981)
Net Income (Loss) Before Capital Contributions	(30,801)	7,400	(23,401)
Capital contribution - Tap fees	9,600	-	9,600
Change in Net Position	(21,201)	7,400	(13,801)
Net Position - Beginning of Year	6,124,586	23,694	6,148,280
Net Position - End of Year	6,103,385	31,094	6,134,479

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

Town of Kremmling, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Water Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers and users	646,278	225,839	872,117
Cash paid for goods and services	(135,574)	(215,066)	(350,640)
Cash paid for salaries and benefits	(157,034)	(5,387)	(162,421)
Net Cash Provided (Used) by Operating Activities	<u>353,670</u>	<u>5,386</u>	<u>359,056</u>
Cash Flows From Capital Financing Activities:			
Tap fees received	9,600	-	9,600
Principal payments	(69,196)	-	(69,196)
Interest payments	(71,008)	-	(71,008)
Net Cash Provided (Used) by Capital Financing Activities	<u>(130,604)</u>	<u>-</u>	<u>(130,604)</u>
Cash Flows From Investing Activities:			
Interest received	1,449	-	1,449
Net Cash Provided (Used) by Investing Activities	<u>1,449</u>	<u>-</u>	<u>1,449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	224,515	5,386	229,901
Cash and Cash Equivalents - Beginning of Year	<u>930,334</u>	<u>-</u>	<u>930,334</u>
Cash and Cash Equivalents - End of Year	<u><u>1,154,849</u></u>	<u><u>5,386</u></u>	<u><u>1,160,235</u></u>
Cash and Cash Equivalents - Ending is comprised of:			
Cash and cash equivalents - Unrestricted	1,030,143	5,386	1,035,529
Cash and cash equivalents - Restricted	124,706	-	124,706
Total - Cash and Cash Equivalents	<u><u>1,154,849</u></u>	<u><u>5,386</u></u>	<u><u>1,160,235</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	<u>63,180</u>	<u>7,400</u>	<u>70,580</u>
Adjustments:			
Depreciation	295,763	-	295,763
(Increase) decrease in accounts receivable	(6,113)	(837)	(6,950)
Increase (decrease) in accounts payable	(1,496)	33	(1,463)
Increase (decrease) in accrued salaries and benefits	816	49	865
Increase (decrease) in accrued compensated absences	1,520	(16)	1,504
Transfer to (from) other funds	-	(1,243)	(1,243)
Total Adjustments	<u>290,490</u>	<u>(2,014)</u>	<u>288,476</u>
Net Cash Provided (Used) by Operating Activities	<u><u>353,670</u></u>	<u><u>5,386</u></u>	<u><u>359,056</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS



Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017

I. Summary of Significant Accounting Policies

The Town of Kremmling, Colorado (the "Town"), was incorporated in 1904 and operates under a Mayor/Council form of government. The Town provides the following services: public safety (police), highways and streets, parks and recreation, water and sanitation, public improvements, and general administrative services. The Town is located in Grand County, Colorado.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the Town are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the Town is not financially accountable for any other entity nor is the Town a component unit of any other government.

B. Government-wide Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's governmental functions include general government (administration), public safety (police department and mosquito control), public works (street maintenance), and culture and recreation. The Town's water utilities and solid waste service are classified as business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are primarily supported by general government revenues (property and sales taxes, intergovernmental revenue, investment earnings, etc.) while business-type activities rely to a significant extent on fees and charges for support. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide Financial Statements (continued)

The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The Town reports the following major governmental fund(s):

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Town reports the following non-major governmental funds:

The *Grant Fund* is used to account for grants received from State and Federal sources and other contributions for capital projects.

The *Conservation Trust Fund* accounts for State lottery proceeds and the related expenditures.

The *Recreation Fund* is used to account for providing recreation to the Town's citizens and visitors.

The Town reports the following major proprietary or business-type funds:

The *Water Fund* accounts for the delivery of water to the citizens of the Town.

The *Solid Waste Fund* accounts for the provision of solid waste removal services to the citizens of the Town.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

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

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

E. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the Town.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

1. Cash and Cash Equivalents (continued)

The Town's follows Colorado state statutes as an investment policy, which permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury obligations (maximum maturity of 60 months)
- Federal instrumentality securities (maximum maturity of 60 months)
- FDIC-insured certificates of deposit (maximum maturity of 18 months)
- Corporate bonds (maximum maturity of 36 months)
- Prime commercial paper (maximum maturity of 9 months)
- Eligible banker's acceptances
- Repurchase agreements
- General Obligations and Revenue Obligations
- Local government investment pools
- Money market mutual funds

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. No allowance was established at December 31, 2017, as the Town considers all of its receivables to be collectible.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental unit until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflows of resources.

4. Capital Assets

Capital assets, which include land, water rights, water distribution systems, buildings and improvements, equipment, vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed for business-type activities.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

4. Capital Assets (continued)

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

Capital Assets	Years
Infrastructure	15
Buildings and improvements	40
Vehicles and equipment	7 - 10
Water distribution system	20 - 40

5. Compensated Absences

Earned but unused vacation and sick leave benefits are recorded as expenses and liabilities when incurred in the government-wide and proprietary fund financial statements.

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental fund that will pay it. The Town's policy limits the total hours accrued to no more than 200 hours of vacation and 240 hours of sick time. Accumulated hours of sick time in excess of 240 may be converted at the rate of 1 hour of vacation time for each 2 hours of sick leave, provided that the total vacation hours do not exceed 200.

6. Long-term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Town's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

8. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds". Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

9. Pensions

The Town's police department participates in the Statewide Defined Benefit Plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). The Statewide Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Town's defined benefit pension plan and additions to/deductions from the fiduciary net position of the Town's defined benefit pension plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net 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. The Town reported \$53,102 of pension-related deferred outflows at December 31, 2017.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

10. Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the statement of net 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. The Town has two types of items that qualify for reporting in this category. Unavailable revenue for property taxes (\$142,631 at December 31, 2017) is deferred and recognized as an inflow of resources in the period that the amounts become available and earned. Collective deferred inflows related to the Town's net pension obligation (\$1,148 at December 31, 2017) are reported on the Statement of Net Position and are amortized over the average service lives of participants.

11. Fund Equity

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity as to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The Town classifies governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that inherently cannot be spent because they are not in spendable form; such as inventories, prepaid items, or long-term receivables.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Town's Board of Trustees (the "Board").
- *Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or its management designees.
- *Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

11. Fund Equity (continued)

The Town uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents or contracts that prohibit this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the Town first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

12. Restricted Assets

Certain proceeds of the Town's Water Fund debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. As subsequently explained in the notes, restricted assets also include amounts set aside for an operations and maintenance reserve.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund Balance Sheet includes a reconciliation between *Fund balance – total governmental funds* and *Net position of governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds". This \$2,959,924 difference is related to capital assets of \$5,383,348 less accumulated depreciation of \$2,423,424.

Additionally, the reconciliation states that "Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." This \$34,964 difference includes the capital lease payable of \$784; and accrued compensated absences of \$34,180.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation between the net change in fund balances of governmental funds per the Statement of Revenues, Expenditures and Changes in Fund Balances and the change in net position of governmental activities as reported in the government-wide Statement of Activities includes an element that explains "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this \$270,911 difference are capital outlay of \$512,746 less depreciation expense of \$241,835.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation explains "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the funds." The \$5,141 of expense includes \$3,170 for changes in pension deferrals plus a \$1,971 increase in compensated absences.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with GAAP, except for the Water Fund. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado Statutes, the Town followed the required timetable noted below in preparing, approving, and enacting its budget for 2017.

1. For the 2017 budget year, prior to August 25, 2016, the County Assessor sent to the Town an assessed valuation of all taxable property within the Town's boundaries. The County Assessor may change the assessed valuation on or before December 15, 2016, only once by a single notification to the Town.
2. The Town Manager submitted to the Board, on or before October 15, 2016, a recommended budget, which detailed the necessary property taxes needed, along with other available revenues to meet the Town's operating requirements.
3. Prior to December 15, 2016, a public hearing was held for the budget, the Board certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated - expenditures for the upcoming year.
4. After adoption of the budget resolution, the Town may make the following changes: a) transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 were collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than May 1) or two equal installments (not later than March 1 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month or fraction thereof until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary and fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The Town has reserved \$45,765, which is the approximate required reserve at December 31, 2017, for this purpose.

On November 8, 1994, the Town's voters passed a measure to allow the Town, without any increase in the property tax mill levy and sales tax rates, to collect, retain and expend all revenues and other funds collected, from any source, during 1994 and each subsequent year; and to spend such revenues for (a) law enforcement and crime prevention, education, (b) snow removal and street sweeping, (c) street construction, repair and maintenance, (d) Town lawns, trees, parks and recreation, (e) plan in reserve for future capital projects, and (f) for other basic Town services and lawful municipal purposes; notwithstanding any state restriction on fiscal spending, including the restrictions of Article X, Section 20 of the Colorado Constitution.

The Town's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

C. Expenditures in Excess of Budget

For the year ended December 31, 2017, the following fund(s) had expenditures in excess of budgeted appropriations, which may be a violation of Colorado budget laws:

Solid Waste Fund	\$ 2,960
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Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

The Town's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). Amounts on deposit in excess of \$250,000, the FDIC-insured limit at each participating institution, must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public as a group. The fair value of the collateral must equal or exceed 102% of the uninsured deposits. The carrying amount of the Town's demand deposits was \$1,403,836 at year end. Petty cash totaled \$250.

At December 31, 2017, the Town held deposits and investments with the following maturities:

	Standard & Poors rating	Carrying amounts	Maturities	
			Less than one year	More than one year
Deposits:				
Petty cash	Not rated	\$ 250	250	-
Checking - Interest-bearing	Not rated	1,370,174	1,370,174	-
Savings and money market	Not rated	33,662	33,662	-
Total deposits		<u>1,404,086</u>	<u>1,404,086</u>	<u>-</u>
Investments:				
Certificates of deposit	Not rated	225,453	100,978	124,475
Investment pools	AAAm	245,401	245,401	-
Total investments		<u>470,854</u>	<u>346,379</u>	<u>124,475</u>
Total cash and investments		<u>\$ 1,874,940</u>	<u>1,750,465</u>	<u>124,475</u>

The Town's cash, cash equivalents, and investments are reported in the following financial statement captions:

	Governmental Activities	Business-type Activities	Total
Cash and investments - Unrestricted	\$ 714,705	1,035,529	1,750,234
Cash and investments - Restricted	-	124,706	124,706
Total cash and investments	<u>\$ 714,705</u>	<u>1,160,235</u>	<u>1,874,940</u>

Fair Value of Investments: The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2017, the Town's investments had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 225,453	-	225,453	-
Investments Measured at Net Asset Value	Total			
<i>Local government investment pools:</i>				
COLOTRUST	\$ 165,213			
Investments Measured at Amortized Cost	Total			
<i>Local government investment pools:</i>				
C-SAFE	\$ 80,188			

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Certificates of deposit classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

Pools: The Town's holdings in investment pools are comprised of balances with COLOTRUST and C-SAFE, which are investment vehicles established for local government entities in Colorado to pool surplus funds. They operate similarly to money market funds, whereby each share is equal in value to \$1. Investments of the trusts consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. The Town has no regulatory oversight for the pools. The fair value of the pool is determined by the pool's share price. The Town has no regulatory oversight for the pool. At December 31, 2017, the Town's investments in COLOTRUST and C-SAFE represented 35% and 17%, respectively, of the Town's investment portfolio

Interest Rate Risk: As a means of limiting its exposure to interest rate risk, the Town coordinates its investment maturities to closely match cash flow needs and restricts the maximum investments term to less than five years from the purchase date. As a result of the limited length on maturities, the Town has limited its interest rate risk.

Credit Risk. The Town's investment policy limits investments to those authorized by State statutes as listed in Note I.E.1. The Town's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The Town diversifies its investments by security type and institution. Financial institutions holding Town funds must provide the Town a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. At December 31, 2017, the Town's investments in certificates of deposit and investment pools were 48% and 52% of the Town's investment portfolio, respectively.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Restricted Cash and Cash Equivalents

At December 31, 2017, the Town had restricted cash in the amount of \$124,706 to satisfy bond and loan covenants. Cash in the Water Fund has been restricted for the following purposes:

Reserve fund - 2004 Water Revenue Bonds	\$ 24,000
Debt service reserve account - CWCB loan	100,706
Total restricted cash	<u><u>\$ 124,706</u></u>

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

C. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 120,070	-	-	120,070
Total capital assets, not being depreciated	<u>120,070</u>	<u>-</u>	<u>-</u>	<u>120,070</u>
Capital assets, being depreciated:				
Infrastructure	1,799,134	512,746	-	2,311,880
Buildings and improvements	2,081,829	-	-	2,081,829
Vehicles and equipment	869,569	-	-	869,569
Total capital assets, being depreciated	<u>4,750,532</u>	<u>512,746</u>	<u>-</u>	<u>5,263,278</u>
Less accumulated depreciation for:				
Infrastructure	(641,037)	(137,034)	-	(778,071)
Buildings and improvements	(830,655)	(65,331)	-	(895,986)
Vehicles and equipment	(709,897)	(39,470)	-	(749,367)
Total accumulated depreciation	<u>(2,181,589)</u>	<u>(241,835)</u>	<u>-</u>	<u>(2,423,424)</u>
Total capital assets, being depreciated, net	<u>2,568,943</u>	<u>270,911</u>	<u>-</u>	<u>2,839,854</u>
Governmental activities capital assets, net	<u><u>\$ 2,689,013</u></u>	<u><u>270,911</u></u>	<u><u>-</u></u>	<u><u>2,959,924</u></u>

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on all Funds (continued)

C. Capital Assets (continued)

Capital asset activity for the Town's business-type activities for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Water rights	\$ 432,528	-	-	432,528
Total capital assets, not being depreciated	<u>432,528</u>	<u>-</u>	<u>-</u>	<u>432,528</u>
Capital assets, being depreciated:				
Distribution systems	10,525,147	-	-	10,525,147
Vehicles and equipment	153,366	-	-	153,366
Total capital assets, being depreciated	<u>10,678,513</u>	<u>-</u>	<u>-</u>	<u>10,678,513</u>
Less accumulated depreciation for:				
Distribution systems	(4,231,602)	(287,873)	-	(4,519,475)
Vehicles and equipment	(105,312)	(7,890)	-	(113,202)
Total accumulated depreciation	<u>(4,336,914)</u>	<u>(295,763)</u>	<u>-</u>	<u>(4,632,677)</u>
Total capital assets, being depreciated, net	<u>6,341,599</u>	<u>(295,763)</u>	<u>-</u>	<u>6,045,836</u>
Business-type activities capital assets, net	<u>\$ 6,774,127</u>	<u>(295,763)</u>	<u>-</u>	<u>6,478,364</u>

Depreciation expense for 2017 was charged to functions of the Town as follows:

Governmental activities:	
General government	\$ 11,894
Public safety	15,162
Public works, including infrastructure	147,077
Culture and recreation	67,702
Total depreciation expense - Governmental activities	<u>\$ 241,835</u>
Business-type activities:	
Water	<u>\$ 295,763</u>

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt

1. Governmental Activities

a. Lease Purchase Agreement

In 2013, the Town entered into a lease purchase agreement in the amount \$41,225, bearing interest at 5.52% annually for a skid steer. Principal and interest payments on the lease purchase total \$9,454 annually for five (5) years commencing January 1, 2013.

The net book value of the asset acquired through the capital lease at December 31, 2017 is computed as follows:

Cost	\$ 41,225
Less: accumulated depreciation	<u>(18,553)</u>
Net book value	<u>\$ 22,672</u>

2. Business-type Activities

a. Colorado Water Conservation Board ("CWCB") Note Payable

The Town entered into a loan agreement with the CWCB on September 15, 2004. The maximum loan amount was \$1,689,750 and was used for the construction of an alternative water supply system. Actual amounts drawn on the loan as of March 19, 2007 (the final draw) were \$1,636,693. Since the Town did not use the full amount of the loan, a service fee of 1% was added to the amount drawn by the Town, resulting in a total loan balance of \$1,653,059.

Starting in 2008, combined principal and interest payments of \$100,706 are due annually on April 1 with a final payment of \$79,632 due in 2036. The interest rate on the loan is 4.25%.

The loan is equitably and ratably secured by a lien on the net income and revenue of the water system, but does not necessarily constitute an exclusive first lien.

The Town is required to maintain water system rates at a level sufficient to cover operation, maintenance, and emergency services, as defined by the loan agreement.

The Town is also required to fund a reserve amount equal to 10% of its annual debt service payment (i.e., \$10,071) on the due date of its first annual payment and annually thereafter for the first ten years of this loan. This reserve, which will be fully funded in 10 years, must be maintained until the loan is repaid.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

2. Business-type Activities (continued)

b. Water Revenue Refunding Bonds, Series 2004

The Town issued \$480,000 of revenue refunding bonds dated August 6, 2004, with annual interest rates ranging from 2.50% to 5.70%. Interest is payable June 1 and December 1, through 2025. The principal is payable on December 1 and matures in various increments through 2025.

The bonds of this issue are equitably and ratably secured by a lien on the net income and revenue of the water system, but do not necessarily constitute an exclusive first lien. The bonds are subject to redemption prior to maturity beginning on December 1, 2014, at par.

Bond covenants require the Town to maintain water rates sufficient to cover operating and maintenance expenses, 120% of principal and interest due on the bonds, and make up any deficiency in the reserve fund explained below.

The Town is required to fund a reserve as stipulated by the bond agreement. This reserve fund is equal to the least of: 1) 100% of the maximum annual debt service in any calendar year on outstanding bonds, 2) 10% of the principal amount of outstanding bonds, or 3) 125% of the average annual debt service on outstanding bonds.

3. Summary of Long-term Liabilities

Long-term liability activity during the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Accrued compensated absences	\$ 32,209	1,971	-	34,180	-
Capital lease	9,919	-	(9,135)	784	784
Total governmental activities long-term liabilities	\$ 42,128	1,971	(9,135)	34,964	784
Business-type Activities:					
Water Revenue Bonds, Series 2004	\$ 265,000	-	(25,000)	240,000	25,000
Note payable - CWCB	1,329,657	-	(44,196)	1,285,461	46,074
Accrued compensated absences	7,550	1,504	-	9,054	-
Total business-type activities long-term liabilities	\$ 1,602,207	1,504	(69,196)	1,534,515	71,074

Compensated absences for governmental activities are liquidated by the General Fund.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

4. Debt Service Requirements

Aggregate debt service requirements at December 31, 2017 were as follows:

	Revenue Bonds		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 25,000	13,085	46,074	54,632	71,074	67,717
2019	25,000	11,798	48,032	52,674	73,032	64,472
2020	30,000	10,498	50,073	50,633	80,073	61,131
2021	30,000	8,908	52,201	48,504	82,201	57,412
2022	30,000	7,287	54,420	46,286	84,420	53,573
2023 - 2027	100,000	11,605	308,824	194,707	408,824	206,312
2028 - 2032	-	-	380,269	123,261	380,269	123,261
2033 - 2036	-	-	345,568	36,184	345,568	36,184
Total business-type activities	\$ 240,000	63,181	1,285,461	606,881	1,525,461	670,062

E. Interfund Transfers

During 2017, the Town did not make any interfund transfers.

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

1. FPPA Statewide Defined Benefit Plan

Plan Description: The Statewide Defined Benefit Plan (the "SDBP") is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection.

Contributions: Determined by state statute or by election of the members, contributions are set at a level that enables all benefits to be fully funded at the retirement date of all members. Employers and employees are contributing at a rate of 8% and 9.5%, respectively of base salary for a total contribution rate of 17.5% through 2017. In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022. Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5% of base salary through 2015. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Benefits: On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the SDBP to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1.

The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the SDBP may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA.

The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the SDBP was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.70 percent.

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

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Net Pension Liability: At December 31, 2017, the Town reported a liability of \$9,053 \$ 77,026 for its proportionate share of the SDBP's net pension liability. (The Town reported a liability because the Plan's fiduciary net position is currently exceeded by the total pension liability). The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The Town proportion of the net pension liability was based on Town contributions to the Plan for the calendar year 2016 relative to the total contributions of participating employers to the Plan.

At December 31, 2016, the Town's proportion was 0.025054%, as compared to 0.026365% at December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of \$13,973 \$ 307,440,992 . At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources:

Net differences between projected and actual earnings on pension plan investments	\$ 24,436
Changes in pension assumptions	6,184
Changes in pension experience difference	8,083
Changes in proportionate share of contributions	3,631
Contributions subsequent to measurement date	10,768
	<u>\$ 53,102</u>

Deferred Inflows of Resources:

Differences between actual and expected experience	\$ 461
Differences between actual and reported contributions	687
	<u>\$ 1,148</u>

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Contributions subsequent to the measurement date of December 31, 2017, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:

2018	\$ 9,634
2019	9,634
2020	9,076
2021	3,874
2022	1,945
Thereafter	<u>7,023</u>
	<u><u>\$ 41,186</u></u>

Actuarial assumptions. The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumption and other inputs:

Actuarial method:	Entry Age Normal
Amortization method:	Level % of Payroll, Open
Amortization period:	30 Years
Long-term investment rate of return *	7.5%
Projected salary increases:	4.0% to 14.0%
Cost of living adjustments:	0.0%

* includes inflation at 2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projects with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except that is a three-year set-forward, meaning a disabled member age 70 will be valued as if they were a 73-year-old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probably for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate of 0.00020.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

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

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	36%	9.3%
Equity Long/Short	10%	7.4%
Illiquid Alternatives	23%	10.8%
Fixed Income	15%	4.1%
Absolute Return	10%	6.5%
Managed Futures	4%	5.5%
Cash	2%	0.0%
	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SDBP plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

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

	1% Decrease █ (6.5%)	Current Discount Rate (7.5%)	1 % Increase █ (8.5%)
Proportionate share of net pension liability (asset)	\$ 77,026	\$ 9,053	\$ (47,402)
Collective net pension liability (asset)	\$ 307,440,992	\$ 36,133,840	\$(189,200,101)

Pension plan fiduciary net position: Detailed information about the Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at http://www.fppaco.org/annual_reports.htm.

Pension expense for the Plan Year ended December 31, 2017:

Service Cost	\$ 18,182
Interest on the Total Pension Liability	34,807
Current-Period Benefit Changes	772
IRC 414(h)(2) Employer-paid Member Contributions	(14,889)
Projected Earnings on Plan Investments	(35,069)
Pension Plan Administrative Expense	848
Other Changes in Plan Fiduciary Net Position	(5)
Recognition of Inflow of Resources due to Liabilities	1,640
Recognition of Outflow of Resources due to Assets	7,687
Total Pension Plan Expense	\$ 13,973

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. General Employees Deferred Compensation Plan – Section 457

All permanent full-time (budgeted for forty (40) hours per week) employees, other than police officers, participate in a deferred compensation plan created in accordance with Internal Revenue Code (“IRC”) section 457 (the “Plan”). The Plan, which is administered by International City Management Association (“ICMA”), is a defined contribution pension plan and permits participants to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, or death.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the Plan participants and their beneficiaries.

The accrual basis of accounting is used for the Plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

The Town has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

In accordance with GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, since the Town is not a trustee of the Plan, it does not report the Plan as a fund in the financial statements.

In addition to Social Security, the Town matched a 4.14% percent payroll deduction which totaled \$14,062 in 2017. Employees may contribute additional amounts, up to maximum allowable limits as established under IRC section 457, but these amounts are not matched by the Town.

3. Police Deferred Compensation Plan - Section 457

All permanent full-time police officers participate in a deferred compensation plan created in accordance with IRC section 457 (the “Police 457 Plan”). The Police 457 Plan, which is administered by Colorado County Officials and Employees Retirement Association (“CCOERA”), permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death.

All amounts of compensation deferred under the Police 457 Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the Police 457 Plan participants and their beneficiaries.

The accrual basis of accounting is used for the Police 457 Plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred outflows or Resources and Deferred Inflows of Resources Related to Pensions (continued)

3. Police Deferred Compensation Plan - Section 457 (continued)

The Town has no liability for losses under the Police 457 Plan but does have the duty of due care that would be required of an ordinary prudent investor.

In accordance with GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, since the Town is not a trustee of the Police 457 Plan, it does not report the Police 457 Plan as a fund in the financial statements.

In 1997, the Town passed a resolution that required Town contributions for all employees to be equal (police and non-police). As such, the annual contribution to the Police 457 Plan may vary from year to year, and is equal to the difference between the Town's contribution to ICMA (non-police) and FPPA (police). In 2017, the Town was required to match 0.14% of participating police officer's compensation in the Police 457 Plan, which totaled \$376. Police officer contributions to the Police 457 Plan are subject to maximum allowable limits as established under the IRC.

The plan vests at a rate of 1.67% per month and is fully vested after five years. As of December 31, 2017, the Police 457 Plan had 3 employees fully vested and 1 non-vested employee. Unvested Town contributions for employees who leave employment before five years are used to reduce the Town's current period contribution requirement. There were no forfeitures and the Town's pension expense was \$376 during the year ended December 31, 2017.

V. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to workers compensation and general liability. The Town has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage. The Town is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. To address such risks, the Town is a participant in a public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency ("CIRSA").

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$250,000 per claim or occurrence for property, \$1,000,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the Town may be liable for any losses in excess of this coverage, the Town does not anticipate such losses at December 31, 2017. Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

V. Other Information (continued)

A. Risk Management (continued)

The Town's share of CIRSA's fund equity as of December 31, 2017 is:

Property and Casualty Pool:	Equity Ratio
Operating Fund	0.292%
Loss Fund	0.163%
Excess Fund	0.212%
Reserve Fund	0.112%
 Workers' Compensation Pool:	
Operating Fund	0.515%
Loss Fund	0.230%
Excess Fund	0.271%
Reserve Fund	0.204%

CIRSA's combined financial information for the year ended December 31, 2017, is summarized as follows:

Assets:	
Cash and investments	\$ 79,928,631
Other assets	7,839,652
Total Assets	<u><u>\$ 87,768,283</u></u>
 Total liabilities	<u><u>\$ 33,977,576</u></u>
 Net position	<u><u>\$ 53,790,707</u></u>
Total Revenues	\$ 26,784,613
Total Expenses	(23,649,283)
Change in Net Position	<u><u>\$ 3,135,330</u></u>

B. Intergovernmental Agreement – Kremmling Sanitation District (the “District”)

On January 13, 2003, the Town entered into an intergovernmental agreement with the District for mutually beneficial cooperative use of personnel and equipment. The agreement has an initial term of one year with an automatic annual renewal unless otherwise agreed by the parties. The agreement calls for each entity to prepare monthly invoices to the other for hours worked and equipment used.

Town of Kremmling, Colorado
Notes to the Financial Statements
December 31, 2017
(Continued)

V. Other Information (continued)

C. Contingencies

1. Legal Claims

During the normal course of business, the Town may incur claims and other assertions against it from various agencies and individuals. During 2018, the Town settled an ongoing legal claim and incurred expenses totaling \$39,886 as a result of that settlement. The Town's insurance paid out \$960,000 in relation to this settlement.

2. Federal and State Grants and Financial Sources

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTAL INFORMATION



Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	2017				2016
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:					
Taxes:					
General property taxes	135,000	135,000	135,912	912	136,403
Specific ownership taxes	5,700	5,700	9,613	3,913	8,325
General sales and use taxes	600,000	600,000	832,515	232,515	821,040
Selective use taxes:					
Cigarette taxes	2,500	2,500	2,239	(261)	2,399
Franchise taxes	47,000	47,000	47,781	781	47,436
Other taxes	15,000	15,000	10,029	(4,971)	16,199
Interest on delinquent taxes	2,000	2,000	741	(1,259)	1,087
Total - Taxes	<u>807,200</u>	<u>807,200</u>	<u>1,038,830</u>	<u>231,630</u>	<u>1,032,889</u>
Licenses and Permits:					
Business	5,000	5,000	5,904	904	4,145
Non-business	700	700	576	(124)	745
Total - Licenses and Permits	<u>5,700</u>	<u>5,700</u>	<u>6,480</u>	<u>780</u>	<u>4,890</u>
Intergovernmental:					
Road and bridge mill levy	2,500	2,500	2,353	(147)	2,265
Motor vehicle taxes	9,500	9,500	8,846	(654)	9,966
Highway users taxes	55,000	55,000	61,867	6,867	60,442
Severance taxes	15,000	15,000	3,750	(11,250)	5,568
Sanitation District reimbursement	17,000	17,000	13,766	(3,234)	16,596
Total - Intergovernmental	<u>99,000</u>	<u>99,000</u>	<u>90,582</u>	<u>(8,418)</u>	<u>94,837</u>
Charges for Services:					
Street cut	2,000	2,000	-	(2,000)	-
Cemetery	3,000	3,000	5,700	2,700	800
Planning and zoning	200	200	200	-	661
Hanger rent	8,000	8,000	14,154	6,154	11,516
Other - Public Works	100	100	195	95	15
Recreation fees	-	-	-	-	-
Total - Charges for Services	<u>13,300</u>	<u>13,300</u>	<u>20,249</u>	<u>6,949</u>	<u>12,992</u>
Fines and Forfeitures:					
Court	25,000	25,000	16,475	(8,525)	14,202
Total - Fines and Forfeitures	<u>25,000</u>	<u>25,000</u>	<u>16,475</u>	<u>(8,525)</u>	<u>14,202</u>
Miscellaneous Revenues:					
Interest	7,000	7,000	8,874	1,874	9,030
Other	2,500	2,500	5,630	3,130	22,549
Total - Miscellaneous Revenues	<u>9,500</u>	<u>9,500</u>	<u>14,504</u>	<u>5,004</u>	<u>31,579</u>
Total Revenues	<u>959,700</u>	<u>959,700</u>	<u>1,187,120</u>	<u>227,420</u>	<u>1,191,389</u>

(continued)

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)
(Continued)

	2017				2016
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures:					
General Government:					
Judicial:					
Salaries and wages	5,600	5,600	5,481	119	5,323
Retirement and benefits	3,470	3,470	3,005	465	2,966
Professional services	9,500	9,500	4,613	4,887	4,479
Other	330	330	98	232	118
Total - Judicial	<u>18,900</u>	<u>18,900</u>	<u>13,197</u>	<u>5,703</u>	<u>12,886</u>
Mayor:					
Salaries and wages	1,200	1,200	1,050	150	1,150
Retirement and benefits	110	110	86	24	97
Other	1,200	1,200	635	565	157
Total - Mayor	<u>2,510</u>	<u>2,510</u>	<u>1,771</u>	<u>739</u>	<u>1,404</u>
Town Manager:					
Salaries and wages	57,000	57,000	56,718	282	55,074
Retirement and benefits	15,520	15,520	13,093	2,427	12,851
Other	3,100	3,100	2,197	903	1,713
Repairs and maintenance	500	500	2,143	(1,643)	936
Vehicle expense	2,000	2,000	1,065	935	1,351
Total - Town Manager	<u>78,120</u>	<u>78,120</u>	<u>75,216</u>	<u>2,904</u>	<u>71,925</u>
Election:					
Salaries and wages	-	-	200	(200)	-
Other	-	-	1,869	(1,869)	99
Total - Election	<u>-</u>	<u>-</u>	<u>2,069</u>	<u>(2,069)</u>	<u>99</u>
Administration:					
Salaries and wages	76,500	76,500	73,195	3,305	71,656
Retirement and benefits	27,800	27,800	25,670	2,130	25,523
Professional services	41,000	41,000	26,574	14,426	28,108
Other	26,100	26,100	23,679	2,421	72,399
Utilities	7,900	7,900	6,524	1,376	6,649
Insurance	31,000	31,000	29,328	1,672	27,660
Capital outlay	4,000	4,000	3,977	23	-
Donations	44,000	44,000	43,500	500	39,500
Repairs and maintenance	1,000	1,000	563	437	4
Total - Administration	<u>259,300</u>	<u>259,300</u>	<u>233,010</u>	<u>26,290</u>	<u>271,499</u>

(continued)

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)
(Continued)

	2017				2016
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures (continued):					
General Government (continued):					
Cemetery:					
Salaries and wages	5,200	5,200	4,430	770	4,063
Retirement and benefits	1,620	1,620	922	698	1,018
Other	4,500	4,500	1,204	3,296	6,611
Utilities	400	400	361	39	357
Repairs and maintenance	200	200	-	200	-
Total - Cemetery	<u>11,920</u>	<u>11,920</u>	<u>6,917</u>	<u>5,003</u>	<u>12,049</u>
Airport:					
Other	100	100	-	100	-
Utilities	3,700	3,700	2,549	1,151	2,646
Total - Airport	<u>3,800</u>	<u>3,800</u>	<u>2,549</u>	<u>1,251</u>	<u>2,646</u>
Total - General Government	<u>374,550</u>	<u>374,550</u>	<u>334,729</u>	<u>39,821</u>	<u>372,508</u>
Public Safety:					
Police:					
Salaries and wages	278,500	278,500	273,851	4,649	259,332
Retirement and benefits	116,900	116,900	99,503	17,397	104,313
Professional services	3,000	3,000	2,147	853	150
Other	13,850	13,850	9,192	4,658	11,110
Capital outlay	-	-	746	(746)	41,976
Utilities	6,300	6,300	5,558	742	5,415
Dispatch fees	23,050	23,050	23,017	33	22,934
Repairs and maintenance	1,800	1,800	3,037	(1,237)	845
Vehicle expense	12,000	12,000	7,863	4,137	8,024
Total - Police	<u>455,400</u>	<u>455,400</u>	<u>424,914</u>	<u>30,486</u>	<u>454,099</u>
Mosquito Control:					
Other	39,500	39,500	31,501	7,999	37,922
Total - Mosquito Control	<u>39,500</u>	<u>39,500</u>	<u>31,501</u>	<u>7,999</u>	<u>37,922</u>
Total Public Safety	<u>494,900</u>	<u>494,900</u>	<u>456,415</u>	<u>38,485</u>	<u>492,021</u>
Public Works:					
Salaries and wages	100,000	100,000	73,621	26,379	82,924
Retirement and benefits	37,600	37,600	20,661	16,939	26,725
Professional services	2,000	2,000	(24)	2,024	1,998
Other	8,300	8,300	10,144	(1,844)	7,477
Capital outlay	434,000	534,000	530,096	3,904	70,845
Utilities	26,700	26,700	26,445	255	25,720
Repairs and maintenance	22,500	22,500	13,490	9,010	9,766
Vehicle expense	10,000	10,000	3,920	6,080	4,453
Debt service	-	-	9,454	(9,454)	9,446
Total - Public Works	<u>641,100</u>	<u>741,100</u>	<u>687,807</u>	<u>53,293</u>	<u>239,354</u>

(continued)

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)
(Continued)

	2017				2016
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures (continued):					
Culture and Recreation - Parks:					
Salaries and wages	26,500	26,500	20,682	5,818	18,436
Retirement and benefits	6,500	6,500	3,897	2,603	4,371
Other	9,800	9,800	9,129	671	9,374
Utilities	8,000	8,000	7,116	884	6,772
Repairs and maintenance	5,500	5,500	5,740	(240)	2,968
Capital outlay - Water	-	-	-	-	8,169
Total - Culture and Recreation	<u>56,300</u>	<u>56,300</u>	<u>46,564</u>	<u>9,736</u>	<u>50,090</u>
Total Expenditures	<u>1,566,850</u>	<u>1,666,850</u>	<u>1,525,515</u>	<u>141,335</u>	<u>1,153,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(607,150)</u>	<u>(707,150)</u>	<u>(338,395)</u>	<u>368,755</u>	<u>37,416</u>
Other Financing Sources (Uses):					
Insurance recoveries	-	-	-	-	11
Litigation settlement	-	-	(13,950)	(13,950)	-
Transfers (out)	-	-	-	-	(50,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(13,950)</u>	<u>(13,950)</u>	<u>(49,989)</u>
Net Change in Fund Balance	<u>(607,150)</u>	<u>(707,150)</u>	<u>(352,345)</u>	<u>354,805</u>	<u>(12,573)</u>
Fund Balance - Beginning of Year	<u>1,076,105</u>	<u>1,076,105</u>	<u>1,144,592</u>	<u>68,487</u>	<u>1,157,165</u>
Fund Balance - End of Year	<u>468,955</u>	<u>368,955</u>	<u>792,247</u>	<u>423,292</u>	<u>1,144,592</u>

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

Town of Kremmling, Colorado
Schedule of the Town's Proportionate Share of Net Pension Asset/Liability
Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's portion of the net pension asset/liability	0.025054%	0.026365%	0.027258%	0.028420%
Town's proportionate share of the net pension (asset)/liability	9,053	(465)	(30,763)	(25,413)
Town's covered payroll	256,450	255,621	245,161	246,882
Town's proportionate share of the net pension asset/liability as a percentage of its covered payroll	4%	0%	-13%	-10%
Plan fiduciary net position as a percentage of the total pension asset/liability	98.21%	100.10%	106.80%	105.80%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2013.

Town of Kremmling, Colorado
Notes to the Required Supplementary Information
Statewide Defined Benefit Plan
December 31, 2017

I. Schedule of Employer's Proportionate Share of the Net Pension Asset / Liability

A. Changes to assumptions or other inputs

1. Changes since the January 1, 2015 Actuarial Valuation:

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except that it uses a three-year set-forward, meaning a disabled member age 70 will be valued as if they were a 73-year-old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

2. Changes since the January 1, 2014 Actuarial Valuation:

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

II. Notes to the Schedule of Town Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

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

Town of Kremmling, Colorado
Schedule of Town Contributions
Fire and Police Pension Association of Colorado - Statewide Defined Benefit Plan
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	10,258	10,225	9,806	9,875
Contributions in relation to the contractually required contribution	<u>(10,258)</u>	<u>(10,225)</u>	<u>(9,806)</u>	<u>(9,875)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Town's covered payroll	256,450	255,621	245,161	246,882
Contributions as a percentage of covered payroll	4.00%	4.00%	4.00%	4.00%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2013.

SUPPLEMENTARY INFORMATION



Town of Kremmling, Colorado
Combining Balance Sheets
Non-major Governmental Funds
December 31, 2017

	Special Revenue Funds			
	Conservation Trust Fund	Recreation Fund	Grant Fund	Total
Assets:				
Cash and investments - Unrestricted	48,697	22,547	3,000	74,244
Total Assets	<u>48,697</u>	<u>22,547</u>	<u>3,000</u>	<u>74,244</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	-	5,239	-	5,239
Total Liabilities	<u>-</u>	<u>5,239</u>	<u>-</u>	<u>5,239</u>
Fund Balances:				
Restricted	48,697	17,308	3,000	69,005
Total Fund Balances	<u>48,697</u>	<u>17,308</u>	<u>3,000</u>	<u>69,005</u>
Total Liabilities and Fund Balances	<u>48,697</u>	<u>22,547</u>	<u>3,000</u>	<u>74,244</u>

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

Town of Kremmling, Colorado
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds			Total
	Conservation Trust Fund	Recreation Fund	Grant Fund	
Revenues:				
Intergovernmental - Colorado Lottery proceeds	13,468	-	-	13,468
Charges for services	-	11,760	-	11,760
Interest	24	-	-	24
Total Revenues	13,492	11,760	-	25,252
Expenditures:				
Culture and recreation	-	11,646	-	11,646
Total Expenditures	-	11,646	-	11,646
Net Change in Fund Balances	13,492	114	-	13,606
Fund Balances - Beginning of Year	35,205	17,194	3,000	55,399
Fund Balances - End of Year	48,697	17,308	3,000	69,005

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Special Revenue Funds - Conservation Trust Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Intergovernmental - Colorado Lottery proceeds	14,000	13,468	(532)	14,996
Interest	50	24	(26)	12
Total Revenues	<u>14,050</u>	<u>13,492</u>	<u>(558)</u>	<u>15,008</u>
Expenditures:				
Culture and recreation:				
Conservation Trust expenditures	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	14,050	13,492	(558)	15,008
Fund Balance - Beginning of Year	<u>16,132</u>	<u>35,205</u>	<u>19,073</u>	<u>20,197</u>
Fund Balance - End of Year	<u><u>30,182</u></u>	<u><u>48,697</u></u>	<u><u>18,515</u></u>	<u><u>35,205</u></u>

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Special Revenue Funds - Recreation Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Charges for services - Activity fees	<u>12,650</u>	<u>11,760</u>	<u>(890)</u>	<u>13,728</u>
Total Revenues	<u>12,650</u>	<u>11,760</u>	<u>(890)</u>	<u>13,728</u>
Expenditures:				
Culture and recreation:				
Activities expenditures	<u>4,150</u>	<u>4,007</u>	<u>143</u>	<u>5,317</u>
Utilities	<u>1,700</u>	<u>-</u>	<u>1,700</u>	<u>-</u>
Repairs and maintenance	<u>6,800</u>	<u>7,639</u>	<u>(839)</u>	<u>8,914</u>
Total Expenditures	<u>12,650</u>	<u>11,646</u>	<u>1,004</u>	<u>14,231</u>
Net Change in Fund Balance	<u>-</u>	<u>114</u>	<u>114</u>	<u>(503)</u>
Fund Balance - Beginning of Year	<u>23,908</u>	<u>17,194</u>	<u>(6,714)</u>	<u>17,697</u>
Fund Balance - End of Year	<u><u>23,908</u></u>	<u><u>17,308</u></u>	<u><u>(6,600)</u></u>	<u><u>17,194</u></u>

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Special Revenue Funds - Grant Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
State grants	-	-	-	-
Federal grants	-	-	-	-
Total Revenues	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	3,000	3,000	3,000
Fund Balance - End of Year	-	3,000	3,000	3,000

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Transfers
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Proprietary Funds - Water Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	2017			2016
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Water sales	611,000	642,852	31,852	642,607
Miscellaneous income	10,400	9,540	(860)	8,916
Interest	135	1,449	1,314	384
Tap fees	-	9,600	9,600	9,600
Total Revenues	621,535	663,441	41,906	661,507
Expenditures:				
Administration:				
Salaries and wages	128,000	127,618	382	123,234
Retirement and benefits	43,900	31,752	12,148	35,258
Professional services	22,000	19,625	2,375	9,726
Other	9,900	7,496	2,404	7,316
Insurance	6,000	5,565	435	5,257
Repairs and maintenance	200	7	193	-
Vehicle expense	2,000	1,910	90	1,228
Total - Administration	212,000	193,973	18,027	182,019
Water Plant:				
Professional services	8,000	11,135	(3,135)	7,923
Other	6,150	2,244	3,906	5,952
Utilities	27,600	24,622	2,978	26,892
Capital outlay	-	-	-	4,140
Repairs and maintenance	10,000	8,356	1,644	8,320
Chemicals	30,000	21,319	8,681	18,208
Total - Water Plant	81,750	67,676	14,074	71,435
Distribution System:				
Professional services	3,000	-	3,000	-
Other	500	36	464	396
Utilities	1,000	374	626	374
Capital outlay	6,000	603	5,397	-
Repairs and maintenance	15,000	22,874	(7,874)	635
Total - Distribution System	25,500	23,887	1,613	1,405

(continued)

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenditures, and Transfers
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Proprietary Funds - Water Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)
(Continued)

	2017			2016
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures (continued):				
Water Meters:				
Other	1,000	-	1,000	-
Repairs and maintenance	3,000	-	3,000	-
Total - Water Meters	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
Water Supply:				
Other	4,300	4,300	-	4,300
Utilities	4,000	2,557	1,443	3,310
Repairs and maintenance	5,000	1,056	3,944	-
Total - Water Supply	<u>13,300</u>	<u>7,913</u>	<u>5,387</u>	<u>7,610</u>
Other Expenses:				
Litigation settlement	-	25,936	(25,936)	-
Total - Other Expenses	<u>-</u>	<u>25,936</u>	<u>(25,936)</u>	<u>-</u>
Debt Service:				
Water revenue bonds - Principal	25,000	25,000	-	25,000
Water revenue bonds - Interest	14,500	14,498	2	15,748
Notes payable - Principal	44,200	44,196	4	42,394
Notes payable - Interest	57,000	56,510	490	58,312
Total - Debt Service	<u>140,700</u>	<u>140,204</u>	<u>496</u>	<u>141,454</u>
Total Expenditures	<u>477,250</u>	<u>459,589</u>	<u>43,597</u>	<u>403,923</u>
Transfers:				
Transfers in	-	-	-	50,000
Transfers (out)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total Transfers	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers - Budget (Non-GAAP) Basis	<u>94,285</u>	203,852	<u>109,567</u>	307,584
Reconciliation to GAAP Basis:				
Depreciation		(295,763)		(296,916)
Debt principal payments		69,196		67,394
Accrued interest change		<u>1,514</u>		<u>1,456</u>
Change in Net Position - GAAP Basis		<u>(21,201)</u>		<u>79,518</u>

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

Town of Kremmling, Colorado
Schedule of Revenues, Expenses, and Transfers
Budget and Actual
Proprietary Funds - Solid Waste Fund
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	2017			2016
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Solid waste charges	217,100	226,675	9,575	217,329
Total Revenues	<u>217,100</u>	<u>226,675</u>	<u>9,575</u>	<u>217,329</u>
Expenses:				
Salaries and wages	4,500	4,431	69	4,346
Retirement and benefits	1,115	989	126	973
Professional services	208,000	212,982	(4,982)	209,865
Other	<u>2,700</u>	<u>873</u>	<u>1,827</u>	<u>2,121</u>
Total Expenses	<u>216,315</u>	<u>219,275</u>	<u>(2,960)</u>	<u>217,305</u>
Change in Net Position	<u>785</u>	<u>7,400</u>	<u>6,615</u>	<u>24</u>

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

LOCAL HIGHWAY FINANCE REPORT



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

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Kremmling
		YEAR ENDING : December 2017
This Information From The Records Of: Town of Kremmling	Prepared By: Phone:	Mark Campbell (970) 724-3249

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	636,943
3. Other local imposts (from page 2)	9,613
4. Miscellaneous local receipts (from page 2)	16,475
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	-
7. Total (1 through 6)	663,031
B. Private Contributions	
C. Receipts from State government (from page 2)	70,713
D. Receipts from Federal Government (from page 2)	-
E. Total receipts (A.7 + B + C + D)	733,744

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	539,550
2. Maintenance:	130,969
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	225
c. Other	
d. Total (a. through c.)	225
4. General administration & miscellaneous	-
5. Highway law enforcement and safety	63,000
6. Total (1 through 5)	733,744
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	-
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	-
3. Total (1.c + 2.c)	-
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	733,744

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	-	733,744	733,744	-	-

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	16,475
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	9,613	g. Other Misc. Receipts	
6. Total (1. through 5.)	9,613	h. Other	
c. Total (a. + b.)	9,613	i. Total (a. through h.)	16,475
(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	61,867	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	8,846	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.)	8,846	g. Total (a. through f.)	-
4. Total (1. + 2. + 3.f)	70,713	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			-
b. Engineering Costs			-
c. Construction:			
(1). New Facilities			-
(2). Capacity Improvements	539,550		539,550
(3). System Preservation	-		-
(4). System Enhancement & Operation			-
(5). Total Construction (1) + (2) + (3) + (4)	539,550		539,550
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	539,550	-	539,550
		(Carry forward to page 1)	
Notes and Comments:			