# TOWN OF LOG LANE VILLAGE, COLORADO

FINANCIAL STATEMENTS

December 31, 2017

Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITOR'S REPORT

Town Board of Trustees
Town of Log Lane Village
Log Lane Village, Colorado

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 reasonable 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 Log Lane Village as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, schedule of proportionate share of the net pension liability, schedule of Town contributions and the notes to required supplementary information on pages i – viii and 31 – 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

*Supplementary Information and Other Information*
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The supplementary information and other information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and other information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
April 30, 2019

**TOWN OF LOG LANE VILLAGE, COLORADO**
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2017

As management of the Town of Log Lane Village (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the Town for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statement.

## FINANCIAL HIGHLIGHTS

- The Town's assets exceed it liabilities by $5,230,086 as of December 31, 2017 an increase of $531,353 in comparison to the prior year.
- Governmental activities report combined ending fund balances of $1,399,324, an increase of $519,750 in comparison with the prior year.
- The Town's fund balance for the General Fund is $954,424, an increase of $442,908 in comparison to the prior year.
- Total long-term liabilities decreased by $66,437 during the 2017 fiscal year with no new debt.
- General property tax, sales tax, and other tax total is $704,766 or 80.4% of the general revenues.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### *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, deferred outflows of resources, liabilities and deferred inflows of resources, with the differences being reported as net position. Over time, the increases or decreases in net position may serve as a useful indictor of whether the financial position of the Town is improving or deteriorating.

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

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 cost through user fees and charges (*Business-type Activities*). The Governmental Activities of the Town include general government administration, public works, public safety, parks and recreation, library, community service and economic development. The Business-type Activities of the Town include the following utilities: water, sewer, and trash.

***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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's fund can be divided into two categories: Governmental Funds and Proprietary Funds.

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

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 activities in the *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 short-term financing decisions. Both governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Town maintains one major government fund, which is the General Fund. Information for the General Fund is presented in the governmental fund balance sheet, in the governmental fund statement of revenues, expenditures, and changes in fund balances for the governmental funds.

**Proprietary Funds –** The Town maintains one proprietary fund. *Enterprise Funds* are used to report the same function presented as business-type activities in the government-wide financial statements. The Town uses a separate enterprise fund to account for each of its utility funds: Water and Sewer funds (major) and Trash fund (non-major).

***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the year ended December 31, 2017, the Town's combined assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by $5,230,086. Of this amount, $1,187,196 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the investment in capital assets (net of related debt) of $3,934,798 (75% of net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's governmental and business-type net position for 2017:

| | Governmental Activities 2017 | Governmental Activities 2016 | Business Type Activities 2017 | Business Type Activities 2016 | Totals 2017 | Totals 2016 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Current and Other Assets | $ 1,047,059 | $ 639,269 | $ 305,809 | $ 392,886 | $1,352,868 | $ 1,032,155 |
| Capital Assets | 441,606 | 382,749 | 5,061,927 | 5,004,007 | 5,503,533 | 5,386,756 |
| TOTAL ASSETS | 1,488,665 | 1,022,018 | 5,367,736 | 5,396,893 | 6,856,401 | 6,418,911 |
| Deferred Outflows of Resources | 58,636 | 41,371 | - | - | 58,636 | 41,371 |
| LIABILITIES | | | | | | |
| Current Liabilities | 9,403 | 26,299 | 16,774 | 10,727 | 26,177 | 37,026 |
| Noncurrent Liabilities | 65,386 | 79,239 | 1,509,065 | 1,555,932 | 1,574,451 | 1,635,171 |
| Customer Deposits | - | - | 11,135 | 11,075 | 11,135 | 11,075 |
| TOTAL LIABILITIES | 74,789 | 105,538 | 1,536,974 | 1,577,734 | 1,611,763 | 1,683,272 |
| Deferred Inflow of Resources | 73,188 | 78,277 | - | - | 73,188 | 78,277 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 381,936 | 303,899 | 3,552,862 | 3,448,075 | 3,934,798 | 3,751,974 |
| Restricted | 21,804 | 33,032 | 86,288 | 80,749 | 108,092 | 113,781 |
| Unrestricted | 995,584 | 542,643 | 191,612 | 290,335 | 1,187,196 | 832,978 |
| TOTAL NET POSITION | $ 1,399,324 | $ 879,574 | $ 3,830,762 | $ 3,819,159 | $5,230,086 | $ 4,698,733 |

A portion of total net position, $108,092, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $1,187,166 (22.7% of net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

## Change in Net Position

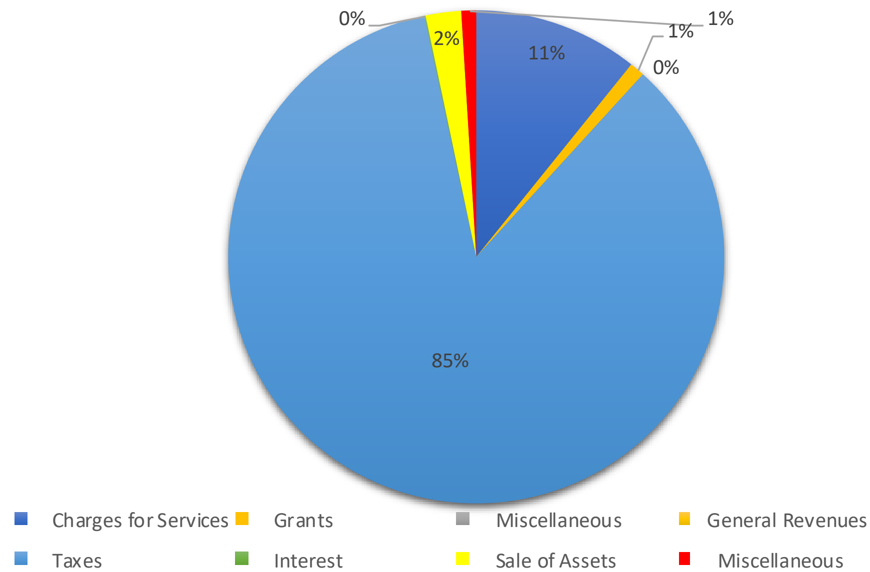
Governmental and business-type activities increased the Town's net position by $531,353 in 2017.

| | Governmental Activities 2017 | Governmental Activities 2016 | Business Type Activities 2017 | Business Type Activities 2016 | Totals 2017 | Totals 2016 |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Operating Revenues | | | | | | |
| Charges for Services | $ 94,229 | $ 92,602 | $ 571,424 | $ 568,122 | $ 665,653 | $ 660,724 |
| Grants | 8,602 | 9,678 | - | - | 8,602 | 9,678 |
| Miscellaneous | - | - | 1,644 | 3,327 | 1,644 | 3,327 |
| General Revenues | | | | | | |
| Taxes | 744,356 | 543,647 | - | - | 744,356 | 543,647 |
| Interest | 634 | 1,041 | 613 | 435 | 1,247 | 1,476 |
| Sale of Assets | 20,265 | | | | | |
| Miscellaneous | 8,483 | 7,303 | - | - | 8,483 | 7,303 |
| | 876,569 | 654,271 | 573,681 | 571,884 | 1,429,985 | 1,226,155 |
| EXPENSES | | | | | | |
| General Government | 69,178 | 127,325 | - | - | 69,178 | 127,325 |
| Public Safety | 225,298 | 199,295 | - | - | 225,298 | 199,295 |
| Public Works | 55,231 | 99,438 | - | - | 55,231 | 99,438 |
| Parks and Recreation | 4,291 | 7,699 | - | - | 4,291 | 7,699 |
| Water Operations | - | - | 260,451 | 283,987 | 260,451 | 283,987 |
| Sewer Operations | - | - | 180,106 | 183,297 | 180,106 | 183,297 |
| Trash Operations | - | - | 70,827 | 29,342 | 70,827 | 29,342 |
| Interest | 2,821 | 3,801 | 50,694 | 52,078 | 53,515 | 55,879 |
| | 356,819 | 437,558 | 562,078 | 548,704 | 918,897 | 986,262 |
| Increase in Net Position | 519,750 | 216,713 | 11,603 | 23,180 | 531,353 | 239,893 |
| Net position, beginning | 879,574 | 662,861 | 3,819,159 | 3,795,979 | 4,698,733 | 4,458,840 |
| Ending | $ 1,399,324 | $ 879,574 | $ 3,830,762 | $ 3,819,159 | $ 5,230,086 | $ 4,698,733 |

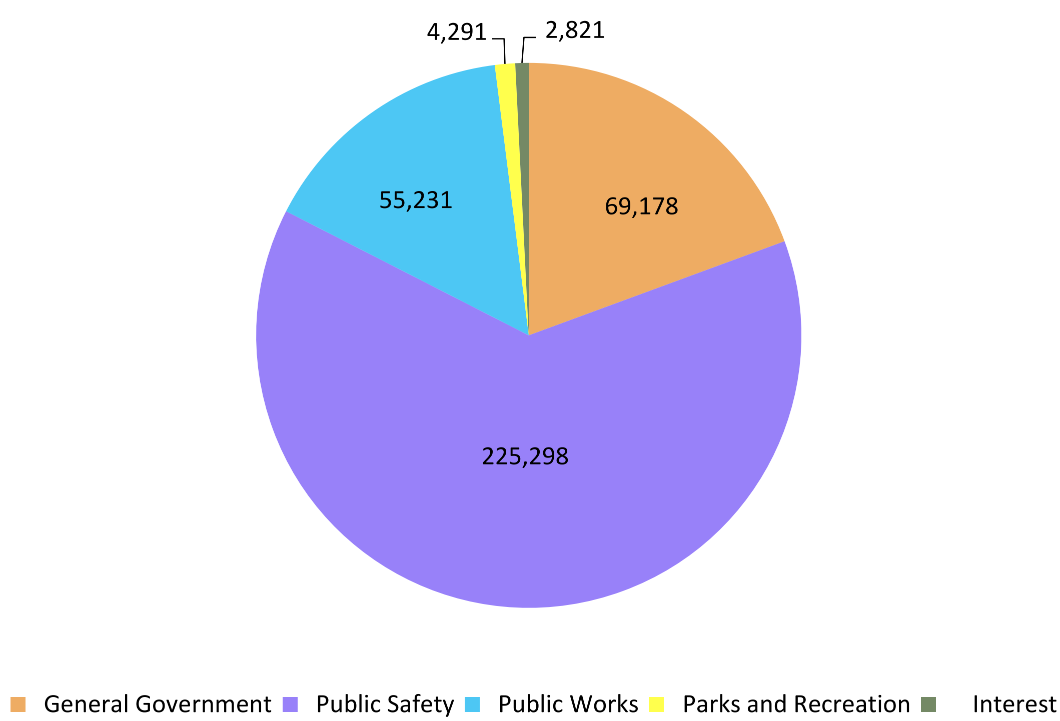
## Governmental Activities

Governmental activities increased the Town's net position by $519,750

**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**




**EXPENSES BY DEPARTMENT – GOVERNMENTAL ACTIVITIES**



Business-type activities for the year resulted in an increase in net position of $11,603. Charges for services accounted for 99% of total revenues.

## FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

**Governmental Funds –** The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year. As of the end of 2017, the Town's governmental fund reported an ending fund balance of $964,728, an increase of $430,080 in comparison with the prior year. Of the ending fund balance for the governmental fund, 2.3% of this total has been restricted, committed, or assigned.

The Town has one major governmental funds, which is the General Fund, and it is the primary operating fund for the Town. At the end of 2017, the unassigned fund balance of the General Fund was $942,924, while the total fund balance was $954,424. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance of the General Fund increased by $442,908 during 2017.

**Propriety funds –** The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Town has three enterprise funds: Water, Sewer and Trash Funds. At the end of 2017, these funds represented the following net position amounts:

| Fund: | Water | Sewer | Trash |
|---|---|---|---|
| Unrestricted net position | $ 8,918 | $ 193,472 | $ (10,778) |
| Total net position | $ 3,320,272 | $ 521,268 | $ (10,778) |
| Increase (decrease) in net position | $ 22,706 | $ 234 | $ (11,337) |

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgeted $776,501 for 2017 expenditures. Actual expenditures were $425,034.

## CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for it governmental and business-type activities as of December 31, 2017, was $5,503,533. As required by GASB 34, the investment in capital assets includes land, buildings, building improvements, and equipment.

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Asets not being depreciated | | | | |
| Land | $ 40,415 | $ - | $ - | $ 40,415 |
| | | | | |
| Capital Assets, being depreciated | | | | |
| Buildings and Improvements | 55,043 | - | - | 55,043 |
| Infrastructure | 128,748 | - | - | 128,748 |
| Equipment and Vehicles | 555,506 | 71,400 | - | 626,906 |
| Total Capital Assets, being depreciated | 739,297 | 71,400 | - | 810,697 |
| | | | | |
| Less accumulated depreciation | | | | |
| Buildings and Improvements | (44,137) | (2,822) | - | (46,959) |
| Infrastructure | (6,437) | (6,437) | - | (12,874) |
| Equipment and Vehicles | (320,389) | (29,284) | - | (349,673) |
| Total accumulated depreciation | (370,963) | (38,543) | - | (409,506) |
| | | | | |
| Total Capital Assets being depreciated, net | 368,334 | 32,857 | - | 401,191 |
| | | | | |
| Governmental Activities Capital Assets, net | $ 408,749 | $ 32,857 | $ - | $ 441,606 |

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital Asets not being depreciated | | | | |
| Water Connection Right - MCQWD | $ 3,396,545 | | | $ 3,396,545 |
| Water Rights | 4,170 | - | - | 4,170 |
| | 3,400,715 | - | - | 3,400,715 |
| Capital Assets, being depreciated | | | | |
| Water System | 2,088,389 | 132,234 | - | 2,220,623 |
| Sewer System | 755,114 | - | - | 755,114 |
| Equipment and Vehicles | 41,250 | - | - | 41,250 |
| Total Capital Assets, being depreciated | 2,884,753 | 132,234 | - | 3,016,987 |
| | | | | |
| Less accumulated depreciation | | | | |
| Water System | (850,450) | (52,329) | - | (902,779) |
| Sewer System | (428,948) | (20,257) | - | (449,205) |
| Equipment and Vehicles | (2,063) | (1,728) | - | (3,791) |
| Total accumulated depreciation | (1,281,461) | (74,314) | - | (1,355,775) |
| | | | | |
| Total Capital Assets being depreciated, net | 1,603,292 | 57,920 | - | 1,661,212 |
| | | | | |
| Business-Type Activities Capital Assets, net | $ 5,004,007 | $ 57,920 | $ - | $ 5,061,927 |

## LONG-TERM DEBT

As of December 31, 2017, the Town had long-term debt as follows:

| | Balance 1/1/2017 | Additions | Deletions | Balance 12/31/2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Police Vehicle Loan | $ 45,091 | $ - | $ 11,010 | $ 34,081 | $ 11,360 |
| Police Radio Lease | 33,759 | - | 8,170 | 25,589 | 7,871 |
| Accrued Compensated Absences | 389 | - | 389 | - | - |
| Total Governmental Activities | $ 79,239 | $ - | $ 19,569 | $ 59,670 | $ 19,231 |

| | Balance 1/1/2017 | Additions | Deletions | Balance 12/31/2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities** | | | | | |
| 2004 USDA Bonds | $ 864,591 | $ - | $ 15,907 | $ 848,684 | $ 16,618 |
| 2005 Water Loan | 691,242 | - | 30,961 | 660,281 | 31,504 |
| Total Business-type Activities | $ 1,555,833 | $ - | $ 46,868 | $ 1,508,965 | $ 48,122 |

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

Town Clerk/Treasurer
Town of Log Lane Village
109 Maine St
Log Lane Village, CO 80705
Phone: 970-867-8027

# BASIC FINANCIAL STATEMENTS

TOWN OF LOG LANE VILLAGE, COLORADO

STATEMENT OF NET POSITION
December 31, 2017

| | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash and Investments | $ 871,568 | $ 171,356 | $ 1,042,924 |
| Restricted Cash and Investments | - | 86,288 | 86,288 |
| Receivables | | | |
| Property Taxes | 72,928 | - | 72,928 |
| Other Governments | 100,737 | - | 100,737 |
| Accounts | 1,826 | 48,165 | 49,991 |
| Capital Assets, Not Depreciated | 40,415 | 3,400,715 | 3,441,130 |
| Capital Assets, Depreciated Net of Accumulated Depreciation | 401,191 | 1,661,212 | 2,062,403 |
| TOTAL ASSETS | 1,488,665 | 5,367,736 | 6,856,401 |
| DEFERRED OUTLFOWS OF RESOURCES | | | |
| Related to Defined Benefit Pension Plan | 58,636 | - | 58,636 |
| LIABILITIES | | | |
| Accounts Payable | 3,475 | 16,774 | 20,249 |
| Accrued Liabilities | 5,928 | - | 5,928 |
| Customer Deposits | - | 11,135 | 11,135 |
| Noncurrent Liabilities | | | |
| Due in One Year | 19,231 | 48,122 | 67,353 |
| Due in More Than One Year | 40,439 | 1,460,943 | 1,501,382 |
| Net Pension Liability | 5,716 | - | 5,716 |
| TOTAL LIABILITIES | 74,789 | 1,536,974 | 1,611,763 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred Property Tax Revenue | 72,928 | - | 72,928 |
| Related to Defined Benefit Pension Plan | 260 | - | 260 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 73,188 | - | 73,188 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 381,936 | 3,552,862 | 3,934,798 |
| Restricted for Debt Service | - | 86,288 | 86,288 |
| Restricted for Emergencies | 11,500 | - | 11,500 |
| Restricted for Parks and Recreation | 10,304 | - | 10,304 |
| Unrestricted, Unreserved | 995,584 | 191,612 | 1,187,196 |
| TOTAL NET POSITION | $ 1,399,324 | $ 3,830,762 | $ 5,230,086 |

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

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TOWN OF LOG LANE VILLAGE, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
|---|---|---|---|---|
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General Government | $ 69,178 | $ 59,394 | $ - | $ - |
| Public Safety | 225,298 | 34,835 | - | - |
| Public Works | 55,231 | - | - | - |
| Parks and Recreation | 4,291 | - | - | 8,602 |
| Inerest on Long-Term Debt | 2,821 | - | - | - |
| Total Governmental Activities | 356,819 | 94,229 | - | 8,602 |
| Business-Type Activities | | | | |
| Water | 260,451 | 332,193 | - | - |
| Sewer | 180,106 | 179,741 | - | - |
| Trash | 70,827 | 59,490 | - | - |
| Interest on Long-Term Debt | 50,694 | - | - | - |
| Total Business-Type Activities | 562,078 | 571,424 | - | - |
| Total Primary Government | $ 918,897 | $ 665,653 | $ - | $ 8,602 |

GENERAL REVENUES
Property Taxes
Sales Taxes
Franchise Taxes
Other Taxes
Interest
Sale of Capital Assets
Miscellanous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

| NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION | | |
|---|---|---|
| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS |
| $ (9,784) | $ - | $ (9,784) |
| (190,463) | - | (190,463) |
| (55,231) | - | (55,231) |
| 4,311 | - | 4,311 |
| (2,821) | - | (2,821) |
| (253,988) | - | (253,988) |
| - | 71,742 | 71,742 |
| - | (365) | (365) |
| - | (11,337) | (11,337) |
| - | (50,694) | (50,694) |
| - | 9,346 | 9,346 |
| (253,988) | 9,346 | (244,642) |
| 89,243 | - | 89,243 |
| 593,092 | - | 593,092 |
| 20,656 | - | 20,656 |
| 41,365 | - | 41,365 |
| 634 | 613 | 1,247 |
| 20,265 | | 20,265 |
| 8,483 | 1,644 | 10,127 |
| 773,738 | 2,257 | 775,995 |
| 519,750 | 11,603 | 531,353 |
| 879,574 | 3,819,159 | 4,698,733 |
| $ 1,399,324 | $ 3,830,762 | $ 5,230,086 |

TOWN OF LOG LANE VILLAGE, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

| | GENERAL FUND | NONMAJOR GOVERNMENTAL CONSERVATION TRUST FUND | TOTALS |
|---|---|---|---|
| ASSETS | | | |
| Cash and Investments | $ 861,264 | $ 10,304 | $ 871,568 |
| Property Taxes Receivable | 72,928 | - | 72,928 |
| Due from Other Governments | 100,737 | - | 100,737 |
| Accounts Receivable | 1,826 | - | 1,826 |
| TOTAL ASSETS | 1,036,755 | 10,304 | 1,047,059 |
| LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Accounts Payable | 3,475 | - | 3,475 |
| Accrued Liabilities | 5,928 | - | 5,928 |
| TOTAL LIABILITIES | 9,403 | - | 9,403 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred Property Tax Revenue | 72,928 | - | 72,928 |
| FUND EQUITY | | | |
| Fund Balance | | | |
| Restricted for Emergencies | 11,500 | - | 11,500 |
| Restricted for Parks and Recreation | - | 10,304 | 10,304 |
| Unassigned | 942,924 | - | 942,924 |
| TOTAL FUND EQUITY | 954,424 | 10,304 | 964,728 |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY | $ 1,036,755 | $ 10,304 | $ 1,047,059 |

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

TOWN OF LOG LANE VILLAGE, COLORADO

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2017

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

| | |
|---|---|
| Total Fund Balances of Governmental Funds | 964,728 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | 441,606 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | |
| Deferred outflows of resources - difference in projected vs actual investment earnings | 24,930 |
| Deferred outflows of resources - difference in expected vs actual experience | 7,022 |
| Deferred outflows of resources - change in proportionate share of net pension liability | 8,885 |
| Deferred outflows of resources - change in assumptions or other inputs | 8,245 |
| Deferred outflows of resources - pension contributions from the measurement date | 9,554 |
| Deferred inflows of resources - difference in expected vs actual experience | (260) |
| Long-term liabilities and related items are not due and payable in the current period and are not reported in the funds. These include loans payable. | (59,670) |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund. This is the amount of the net pension liabilitiy | (5,716) |
| Net position of governmental activities | $ 1,399,324 |

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

TOWN OF LOG LANE VILLAGE, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2017

| | GENERAL FUND | NONMAJOR GOVERNMENTAL CONSERVATION TRUST FUND | TOTALS |
|---|---|---|---|
| REVENUES | | | |
| Taxes | $ 704,766 | $ - | $ 704,766 |
| Licenses and Permits | 59,221 | - | 59,221 |
| Fines and Forfeitures | 34,835 | - | 34,835 |
| Charges for Services | 173 | - | 173 |
| Intergovernmental | 39,590 | 8,602 | 48,192 |
| Interest | 609 | 25 | 634 |
| Miscellaneous | 28,748 | - | 28,748 |
| TOTAL REVENUES | 867,942 | 8,627 | 876,569 |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 66,874 | - | 66,874 |
| Public Safety | 221,076 | - | 221,076 |
| Public Works | 36,683 | - | 36,683 |
| Parks and Recreation | - | 2,455 | 2,455 |
| Capital Outlay | 78,400 | 19,000 | 97,400 |
| Debt Service | | | |
| Principal | 19,180 | - | 19,180 |
| Interest | 2,821 | - | 2,821 |
| TOTAL EXPENDITURES | 425,034 | 21,455 | 446,489 |
| NET CHANGE IN FUND BALANCES | 442,908 | (12,828) | 430,080 |
| FUND BALANCES, Beginning | 511,516 | 23,132 | 534,648 |
| FUND BALANCES, Ending | $ 954,424 | $ 10,304 | $ 964,728 |

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

TOWN OF LOG LANE VILLAGE, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

| | |
|---|---|
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: | |
| Net Changes in Fund Balances - Total Governmental Funds | $ 430,080 |
| 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 and reported as depreciation expense. This is the amount by which capital outlay $97,400 exceeded depreciation ($38,543), in the current period. | 58,857 |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This includes payments of capital leases. | 19,180 |
| Some expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued compensated absences. | 389 |
| In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represents the net effect of pension related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions, in the statement of activities. | 11,244 |
| Change in Net Position of Governmental Activities | $ 519,750 |

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

TOWN OF LOG LANE VILLAGE, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
December 31, 2017

| | WATER FUND | SEWER FUND | NONMAJOR PROPRIETARY TRASH FUND | TOTALS |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Investments | $ 3,952 | $ 167,404 | $ - | $ 171,356 |
| Restricted Cash and Investments | 86,288 | - | - | 86,288 |
| Accounts Receivable, Net | 25,580 | 16,613 | 5,972 | 48,165 |
| Due from Trash Fund | - | 16,750 | - | 16,750 |
| Total Current Assets | 115,820 | 200,767 | 5,972 | 322,559 |
| Noncurrent Assets | | | | |
| Capital Assets, Not Being Depreciated | 3,400,715 | - | - | 3,400,715 |
| Capital Assets, Net of Accumulated Depreciation | 1,333,416 | 327,796 | - | 1,661,212 |
| Total Noncurrent Assets | 4,734,131 | 327,796 | - | 5,061,927 |
| TOTAL ASSETS | 4,849,951 | 528,563 | 5,972 | 5,384,486 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 9,479 | 7,295 | - | 16,774 |
| Customer Deposits | 11,135 | - | - | 11,135 |
| Due to Sewer Fund | - | - | 16,750 | 16,750 |
| Loan Payable - Current Portion | 48,122 | - | - | 48,122 |
| Total Current Liabilities | 68,736 | 7,295 | 16,750 | 92,781 |
| Noncurrent Liabilities | | | | |
| Loan Payable | 1,460,943 | - | - | 1,460,943 |
| Total Noncurrent Liabilities | 1,460,943 | - | - | 1,460,943 |
| TOTAL LIABILITIES | 1,529,679 | 7,295 | 16,750 | 1,553,724 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 3,225,066 | 327,796 | - | 3,552,862 |
| Restricted for Debt Service | 86,288 | - | - | 86,288 |
| Unreserved | 8,918 | 193,472 | (10,778) | 191,612 |
| TOTAL NET POSITION | $ 3,320,272 | $ 521,268 | $ (10,778) | $ 3,830,762 |

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

TOWN OF LOG LANE VILLAGE, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
Year Ended December 31, 2017

| | WATER FUND | SEWER FUND | NONMAJOR PROPRIETARY TRASH FUND | TOTALS |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Charges for Services | $ 328,885 | $ 175,508 | $ 59,490 | $ 563,883 |
| Connection and Late Fees | 3,308 | 4,233 | - | 7,541 |
| Miscellaneous | 1,644 | - | - | 1,644 |
| TOTAL OPERATING REVENUES | 333,837 | 179,741 | 59,490 | 573,068 |
| OPERATING EXPENSES | | | | |
| Operations and Maintenance | 160,811 | 113,879 | 70,827 | 345,517 |
| Administrative and General | 46,448 | 45,105 | - | 91,553 |
| Depreciation | 53,192 | 21,122 | - | 74,314 |
| TOTAL OPERATING EXPENSES | 260,451 | 180,106 | 70,827 | 511,384 |
| OPERATING INCOME | 73,386 | (365) | (11,337) | 61,684 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest Income | 14 | 599 | - | 613 |
| Interest Expense | (50,694) | - | - | (50,694) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (50,680) | 599 | - | (50,081) |
| CHANGE IN NET POSITION | 22,706 | 234 | (11,337) | 11,603 |
| NET POSITION, Beginning | 3,297,566 | 521,034 | 559 | 3,819,159 |
| NET POSITION, Ending | $ 3,320,272 | $ 521,268 | $ (10,778) | $ 3,830,762 |

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

TOWN OF LOG LANE VILLAGE, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
Year Ended December 31, 2017
Increase (Decrease) in Cash and Cash Equivalents

| | WATER FUND | SEWER FUND | NONMAJOR PROPRIETARY TRASH FUND | TOTALS |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | $ 336,032 | $ 181,768 | $ 58,866 | $ 576,666 |
| Cash Received from Others | 1,644 | - | - | 1,644 |
| Cash Paid to Suppliers | (175,282) | (126,904) | (70,827) | (373,013) |
| Cash Paid to Employees | (31,323) | (26,686) | - | (58,009) |
| Net Cash Provided (Used) by Operating Activities | 131,071 | 28,178 | (11,961) | 147,288 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Payments made by Other Funds | - | (11,961) | 11,961 | - |
| Purchase of Capital Assets | (132,234) | - | - | (132,234) |
| Loan Payments | (46,868) | - | - | (46,868) |
| Interest Payments | (50,694) | - | - | (50,694) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (229,796) | (11,961) | 11,961 | (229,796) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest Received | 14 | 599 | - | 613 |
| Net Cash Provided by Investing Activities | 14 | 599 | - | 613 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (98,711) | 16,816 | - | (81,895) |
| CASH AND CASH EQUIVALENTS, Beginning | 188,951 | 150,588 | - | 339,539 |
| CASH AND CASH EQUIVALENTS, Ending | $ 90,240 | $ 167,404 | $ - | $ 257,644 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | $ 73,386 | $ (365) | $ (11,337) | $ 61,684 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation and Amortization | 53,192 | 21,122 | - | 74,314 |
| Changes in Assets and Liabilities | | | | |
| Accounts Receivable | 3,779 | 2,027 | (624) | 5,806 |
| Accounts Payable | 654 | 5,394 | | 6,048 |
| Customer Deposits | 60 | - | - | 60 |
| Total Adjustments | 57,685 | 28,543 | (624) | 86,228 |
| Net Cash Provided (Used) by Operating Activities | $ 131,071 | $ 28,178 | $ (11,961) | $ 147,912 |

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

The Town of Log Lane Village (the "Town") is a political subdivision of the State of Colorado governed by a seven-member Board of Trustees elected by the residents. The Town is a full service local government entity providing public safety, public works, parks and recreation services, water services, sewer services and trash services.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Town's more significant accounting policies follows.

### Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, no additional organizations were included within the Town's reporting entity.

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support

The statement of net position reports all financial, capital and debt resources of the Town. The difference between assets plus deferred outflows, and liabilities plus deferred inflows of the Town is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses and allocated indirect expenses of a given function or segment are offset by program revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable and available". Revenues are considered to be "available" when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenue and interest associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Grants and similar items are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the Town.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Town reports the following major governmental fund in the fund financial statements:

*General Fund* – The General Fund is used to account for the general operations and specific programs of the Town.

The Town also reports the following nonmajor governmental fund:

*Conservation Trust Fund* – The Conservation Trust Fund is a special revenue fund that accounts for lottery revenues received and spent on recreational programs.

The Town reports the following major proprietary funds:

*Water Fund* – The Water Fund accounts for the financial activities associated with providing water services.

*Sewer Fund* – The Sewer Fund accounts for the financial activities associated with providing sewer services.

The Town also reports the following nonmajor governmental fund:

*Trash Fund* – The Trash Fund accounts for the financial activities associated with providing trash services.

Assets, Liabilities, Fund Balance/Net Position

*Cash and Investments* – Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

*Due to/from Other Funds* – During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as due to/from other funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Assets, Liabilities, Fund Balance/Net Position**

*Other Governments Receivables and Accounts Receivable* – Other governments receivables and accounts receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Capital Assets* – Capital assets, which include property, plant, buildings and related improvements, equipment, vehicles, and all infrastructure owned by the Town, are reported in the applicable government-wide or business-type activities columns of the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

| | |
|---|---|
| Land Improvements | 15 – 25 years |
| Buildings and Improvements | 20 – 40 years |
| Infrastructure | 25 – 55 years |
| Collection and Distribution Systems | 5 – 40 years |
| Equipment and Vehicles | 3 – 10 years |

General infrastructure assets acquired prior to January 1, 2002 are not being reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure acquired subsequent to January 1, 2002.

*Customer Deposits* – The Town requires water customers to pay a deposit for water services, to be held by the Town.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position reports a separate section for *deferred outflows of resources*. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expenses) until then. The Town has an item related to pension actuarial activity and the change in proportion of pension participation in relation to the pension plan as a whole at December 31, 2017.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In addition to liabilities, the balance sheet – governmental funds and statement of financial position reports a separate section for *deferred inflows of resources*. This separate financial statement classification represents an acquisition of fund balance or net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until then. The Town has an item related to property taxes levied in the current year to be collected in the following year and an item related to pension actuarial activity and the change in proportion of pension participation in relation to the pension plan as a whole at December 31, 2017.

*Compensated Absences* - Employees of the Town are allowed to accumulate unused vacation and sick time. Beginning in 2015, employees with less than 5 years of service are allowed to accumulate up to 40 hours of unused vacation. Employees with more than 5 years of service are allowed to accumulate up to 80 hours of unused vacation time. Employees will be paid for all accrued vacation time upon separation of employment. There is no maximum limit on accumulated sick time. However, unused sick time is not paid upon separation of employment. Therefore, no liability for accumulated sick time is reported in the financial statements. Accrued vacation time is recognized as current salary costs when earned in the proprietary funds and when due in the governmental funds. A long-term liability is reported in the government-wide financial statements for the accrued vacation time.

*Long-Term Debt* - In the government-wide financial statements, and the proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Debt premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide and proprietary funds, debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

*Net Position* – In the government-wide and proprietary fund financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets – this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation on their use.

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The Town had nonspendable resources related to prepaid expenses at December 31, 2017.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town had classified emergency reserves as being restricted because State statute requires this restriction. In addition, the Town had restricted an amount for unspent conservation trust fund monies a December 31, 2017.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, the Town Board of Trustees. The constraint may be removed or changed only through formal action of the Town Board of Trustees. The Town had no committed resources at December 31, 2017.
- Assigned – This classification includes amounts that are constrained by the Town's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Town Board of Trustees to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The Town had no assigned resources at December 31, 2017.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position/Fund Balances (Continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The Town has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Town uses restricted fund balance first, followed by committed, assigned and unassigned.

### Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Town on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

### Pensions

The Town participates in the Fire and Police Statewide Defined Benefit Plan ("FPSDBP") administered by the Fire and Police Pension Association of Colorado ("FPPA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the FPSDBP 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.

## NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Accountability

The Trash Fund had a deficit net position of $10,778 at December 31, 2017. Management expects this deficit will be eliminated in the future by transfers form the General Fund and reducing expenses in the Trash Fund.

## NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2017, follows:

| | |
|---|---|
| Petty Cash | $ 656 |
| Cash Deposits | 1,079,586 |
| Investments | 48,970 |
| Total | $ 1,129,212 |

Cash and Investments are reported in the financial statements as follows:

| | |
|---|---|
| Cash and Investments | $ 1,042,924 |
| Restricted Cash and Investments | 86,288 |
| Total | $ 1,129,212 |

### Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to $250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2017, the Town had bank deposits totaling $1,116,465 of which $307,327 were FDIC insured and $809,138 were collateralized with securities held by the financial institutions' agents but not in the Town's name.

### Investments

The Town does not have a formal investment policy; however, the Town follows state statutes regarding investments. The Town generally limits its concentration risk of investments to Local Government Investment Pools, obligations of the United States and certain U. S. government agency securities, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Town is not subject to concentration of risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Trustees. Such actions are generally associated with a debt service reserve or sinking fund requirements.

NOTE 3: CASH AND INVESTMENTS (Continued)

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following.

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

At December 31, 2017, the Town had the following investments:

| | Maturity | 2017 |
|---|---|---|
| Colorado Liquid Government Asset Trust (COLOTRUST) | Weighted Average under 60 days | $ 48,970 |

The Town invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS +. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rates commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTUST is rated AAAm by Standard & Poor's. COLOTRUST records its investments at fair value and the Town records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. The Town does not have a policy for managing credit risk or interest rate risk.

## NOTE 3: CASH AND INVESTMENTS (Continued)

### Restricted Cash and Investments

Restricted cash and investments consist of debt service reserve of $54,640 and, operations and maintenance reserve of $31,648 related to the outstanding bonds and loans in the Water Fund.

## NOTE 4: INTERFUND BALANCES

At December 31, 2017, the Sewer Fund temporarily subsidized the negative cash balance of the Trash Fund by $16,750.

## NOTE 5: CAPITAL ASSETS

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

| | Balances 12/31/2016 | Additions/ Transfers | Deletions | Balances 12/31/2017 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets, not being depreciated | | | | |
| Land | $ 14,415 | $ 26,000 | $ - | $ 40,415 |
| Total Capital Assets, not being depreciated | 14,415 | 26,000 | - | 40,415 |
| Capital Assets, being depreciated | | | | |
| Buildings | 55,043 | - | - | 55,043 |
| Infrastructure | 128,748 | - | - | 128,748 |
| Equipment and Vehicles | 555,506 | 71,400 | | 626,906 |
| Total Capital Assets, being depreciated | 739,297 | 71,400 | - | 810,697 |
| Less accumulated depreciation | | | | |
| Buildings | (44,137) | (2,822) | - | (46,959) |
| Infrastructure | (6,437) | (6,437) | - | (12,874) |
| Equipment and Vehicles | (320,389) | (29,284) | | (349,673) |
| Total accumulated depreciation | (370,963) | (38,543) | - | (409,506) |
| Total Capital Assets, being depreciated, net | 368,334 | 32,857 | - | 401,191 |
| Governmental Activities Capital Assets, net | $ 382,749 | $ 58,857 | $ - | $ 441,606 |

NOTE 5: CAPITAL ASSETS (Continued)

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

| | |
|---|---|
| General Government | $ 2,693 |
| Public Safety | 15,466 |
| Public Works | 18,548 |
| Culture and Recreation | 1,836 |
| Total | $ 38,543 |

| | Balances 12/31/2016 | Additions | Deletions/ Transfers | Balances 12/31/2017 |
|---|---|---|---|---|
| **Business-type Activities:** | | | | |
| Capital Assets, not being depreciated | | | | |
| Water Connection Right - MCQWD | $ 3,396,545 | $ - | $ - | $ 3,396,545 |
| Water Rights | 4,170 | - | - | 4,170 |
| Total Capital Assets, not being depreciated | 3,400,715 | - | - | 3,400,715 |
| Capital Assets, being depreciated | | | | |
| Water System | 2,088,389 | 132,234 | - | 2,220,623 |
| Sewer System | 755,114 | - | - | 755,114 |
| Equipment and Vehicles | 41,250 | - | - | 41,250 |
| Total Capital Assets, being depreciated | 2,884,753 | 132,234 | - | 3,016,987 |
| Less accumulated depreciation | | | | |
| Water System | (850,450) | (52,329) | - | (902,779) |
| Sewer System | (428,948) | (20,257) | - | (449,205) |
| Equipment and Vehicles | (2,063) | (1,728) | - | (3,791) |
| Total accumulated depreciation | (1,281,461) | (74,314) | - | (1,355,775) |
| Total Capital Assets, being depreciated, net | 1,603,292 | 57,920 | - | 1,661,212 |
| Business-type Activities Capital Assets, net | $ 5,004,007 | $ 57,920 | $ - | $ 5,061,927 |

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

| | |
|---|---|
| Water Fund | $ 53,192 |
| Sewer Fund | 21,122 |
| Total | $ 74,314 |

The water connection right – MCQWD shown above represents the tap fee to the Morgan County Water District to connect to their system.

## NOTE 6: LONG-TERM DEBT

### Governmental Activities

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

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Govenmental Activities** | | | | | |
| Police Vehicle Loan | $ 45,091 | $ - | $ 11,010 | $ 34,081 | $ 11,360 |
| Police Radio Lease | 33,759 | - | 8,170 | 25,589 | 7,871 |
| Accrued Compensated Absences | 389 | - | 389 | - | - |
| | **$ 79,239** | **$ -** | **$ 19,569** | **$ 59,670** | **$ 19,231** |

Compensated absences were expected to be liquidated primarily with revenues of the General Fund.

### Police Vehicle Loan

During 2015, the Town entered into a $56,645 loan for the purchase of two police vehicles. Principal and interest payments are due monthly on the 15th, through November 2020. Interest accrues at 3.14% per annum

Future Debt Service Requirements

| Year Ended December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 11,360 | $ 908 | $ 12,268 |
| 2019 | 11,722 | 546 | 12,268 |
| 2020 | 10,999 | 172 | 11,171 |
| Total | $ 34,081 | $ 1,626 | $ 35,707 |

### Police Radios Capital Lease

During 2015, the Town has entered into a capital lease agreement in the amount of $42,955 to purchase 10 police radios and accessories. The Town is required to make monthly lease payments of $811, through October 2020. The lease bears interest at 5.10% per annum. Capital assets totaling $42,955 less accumulated depreciation of $4,295 are reported in the financial statements under this lease agreement.

NOTE 6: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Following is a schedule of future minimum lease payments required under the outstanding capital lease at December 31, 2017.

| Year Ended December 31 | |
|---|---|
| 2018 | $ 9,732 |
| 2019 | 9,733 |
| 2020 | 8,845 |
| Total Minimum Lease Payments | 28,310 |
| Less: Interest | (2,721) |
| Present Value of Future Minimum Lease Payments | $ 25,589 |

Business-type Activities

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

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities** | | | | | |
| 2004 USDA Bonds | $ 864,691 | $ - | $ 15,907 | $ 848,784 | $ 16,618 |
| 2005 Water Loan | 691,242 | - | 30,961 | 660,281 | 31,504 |
| | **$ 1,555,933** | **$ -** | **$ 46,868** | **$ 1,509,065** | **$ 48,122** |

Water Bonds

During 2004, the Town issued $1,000,000 Rural Development Bonds through the U.S. Department of Agriculture (USDA), Office of Rural Development for the purpose of providing additional funding for the water system improvements and connection charges. Principal and interest payments are due semi-annually on June 10 and December 10 through 2045. Interest accrues at 4.50% per annum. The bond ordinance requires the establishment of water rates in order to generate revenues equal to operating expenses plus 120% of debt service. In addition, the Town is required to establish a debt reserve of $56,640, which is included in restricted cash and investments at December 31, 2017.

NOTE 6: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Future Debt Service Requirements

| Year Ended December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 16,618 | $ 38,022 | $ 54,640 |
| 2019 | 17,357 | 37,283 | 54,640 |
| 2020 | 18,130 | 36,510 | 54,640 |
| 2021 | 18,937 | 35,703 | 54,640 |
| 2022 | 19,780 | 34,860 | 54,640 |
| 2023 – 2027 | 112,919 | 160,281 | 273,200 |
| 2028 – 2032 | 140,392 | 132,808 | 273,200 |
| 2033 – 2037 | 174,548 | 98,652 | 273,200 |
| 2038 – 2042 | 217,015 | 56,185 | 273,200 |
| 2043 – 2045 | 113,088 | 8,348 | 121,436 |
| Total | $ 848,784 | $ 638,652 | $ 1,487,436 |

Water Loan

During 2005, the Town entered into a $1,000,000 loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA), for funding the Town's connection charges to the Morgan County Quality Water District's water system. Principal and interest payments of $21,461 are due semi-annually on May 1 and November 1, through May 1, 2035. The loan bears interest of 1.75% per annum. The loan requires the establishment of water rates in order to generate revenues equal to operating expenses plus 110% of debt service. In addition, the loan requires an operation and maintenance reserve of three months operating expenses. At December 31, 2017, the Town restricted cash and investments of $31,648 for the operation and maintenance reserve.

The CWRPDA water loan is payable solely from revenues of the Town's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2017, net revenues of $126,592 were available to pay annual debt service of $42,922. Remaining debt service at December 31, 2017 was $771,289.

NOTE 6: LONG-TERM DEBT (Continued)

**Business-type Activities** (Continued)

Future Debt Service Requirements

| Year Ended December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 31,504 | $ 11,418 | $ 42,922 |
| 2019 | 32,058 | 10,864 | 42,922 |
| 2020 | 32,621 | 10,301 | 42,922 |
| 2021 | 33,194 | 9,728 | 42,922 |
| 2022 | 33,778 | 9,144 | 42,922 |
| 2023 – 2027 | 178,006 | 36,602 | 214,608 |
| 2028 – 2032 | 194,209 | 19,098 | 213,307 |
| 2033 – 2035 | 124,911 | 3,853 | 128,764 |
| Total | $ 660,281 | $ 111,008 | $ 771,289 |

NOTE 7: PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA.

It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of entity.

## NOTE 8: PENSION PLANS

### Police Officers Statewide Defined Benefit Pension Plan

**Plan description.** The Town contributes to the Statewide Defined Benefit Pension Plan (SWDB) (the"Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The SWDB provides retirement benefits for members and beneficiaries.

Colorado Revised Statutes Title 31, Article 31 assigns the authority to establish benefit provisions to the State legislature. FPPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWDB. This report can be obtained at www.fppaco.org.

**Benefits provided.** A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2% of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. 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% or the Consumer Price Index.

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

**Contributions.** The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

NOTE 8: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Members of this Plan and their employers are contributing at the rate of 9.5% and 8%, 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 to the Plan beginning in 2015. Member contribution rates will increase 0.5% annually 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. 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% of base salary.

The Town and employees have made contributions as a percentage of regular pay to this plan as follows: 2014 – 8% Town and 8% employee; 2015 – 8% Town and 8.5% employee; 2016 – 8% Town and 9% employee; 2017 – 8% Town and 10% employee. Contributions to the Plan from the Town were $9,554, $6,477, $5,071 and $2,619 for the years ended December 31, 2017, 2016, 2015 and 2014, respectively.

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

At December 31, 2017, the Town reported a net pension liability of $5,716 for its proportionate share of the net pension liability.

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 0.01582%, which was a decrease of 0.0034% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of $8,823. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference between expected and actual experience | $ 7,022 | $ (260) |
| Changes in assumptions or other inputs | 8,245 | - |
| Net difference between projected and actual earnings on pension plan investments | 24,930 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 8,885 | - |
| Contributions subsequent to the measurement date | 9,554 | N/A |
| Total | $ 58,636 | $ (260) |

$9,554 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | |
|---|---|
| 2018 | $10,277 |
| 2019 | 10,275 |
| 2020 | 9,962 |
| 2021 | 5,976 |
| 2022 | 2,890 |
| Thereafter | 9,442 |

**Actuarial assumptions.** The total pension liability in the December 31, 2015 actuarial valuation, based on a date of January 1, 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Actuarial method | Entry Age Normal |
| Amortization method | Level % of Payroll, Open |
| Amortization period | 30 years |
| Investment rate of return | 7.50%, including 2.5% inflation |
| Projected salary increases | 4.%0 – 14.0% |
| Cost of living adjustment | 0.0% |

NOTE 8: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used.

For post-retirement members ages 55 through 64, a blend of the previous tables was used. All tables were projected with Scale BB. The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation of January 1, 2016, based upon the actuary's analysis and recommendations from the 2015 Experience Study.

The long-term expected rate of return on 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 weighting 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 Plans 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 | 36.00% | 9.25% |
| Equity Long/Short | 10.00% | 7.35% |
| Illiquid Alternatives | 23.00% | 10.75% |
| Fixed Income | 15.00% | 4.10% |
| Absolute Return | 10.00% | 6.55% |
| Managed Futures | 4.00% | 5.50% |
| Cash | 2.00% | 0.00% |
| Total | 100.00% | |

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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 Fire & Police Pension Association Board of Director's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the 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.

NOTE 8: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

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

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| Proportionare share of the net pension liability (asset) | $ 48,636 | $ 5,716 | $ (29,931) |

* *The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.*

**Pension plan fiduciary net position**. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report, which may be obtained at www.fppaco.org.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to the Town. Revenue in excess of the fiscal spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The Town's management believes it is in compliance with the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

In November 1999, voters within the Town authorized the Town to collect, retain and expend the full amount of revenues from all sources during 1998, as well as the full amount of all revenues generated by all sources for each subsequent year. This election authorized the spending of such revenues in each year without limitation under Article X, Section 20 of the State Constitution.

## NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

### Tabor Amendment (Continued)

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2017, the emergency reserve of $11,500 was reported as restricted net position and fund balance in the Governmental Activities and General Fund, respectively.

### Litigation

The Town was named as a defendant in a lawsuit, which was settled by the Town's insurance carrier subsequent to year end in 2018.

### Claims and Judgments

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

# REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LOG LANE VILLAGE, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2016 ACTUAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 634,000 | $ 704,766 | $ 70,766 | $ 508,435 |
| Licenses and Permits | 82,825 | 59,221 | (23,604) | 66,405 |
| Fines and Forfeitures | 23,620 | 34,835 | 11,215 | 24,824 |
| Charges for Services | 2,000 | 173 | (1,827) | 1,373 |
| Intergovernmental | 26,870 | 39,590 | 12,720 | 35,212 |
| Interest | 200 | 609 | 409 | 1,039 |
| Miscellaneous | 11,000 | 28,748 | 17,748 | 7,303 |
| TOTAL REVENUES | 780,515 | 867,942 | 87,427 | 644,591 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 194,809 | 66,874 | 127,935 | 128,698 |
| Public Safety | 303,392 | 221,076 | 82,316 | 207,705 |
| Public Works | 278,300 | 36,683 | 241,617 | 81,300 |
| Capital Outlay | - | 78,400 | (78,400) | 139,495 |
| Debt Service | | | | |
| Principal | - | 19,180 | (19,180) | 19,050 |
| Interest | - | 2,821 | (2,821) | 3,801 |
| TOTAL EXPENDITURES | 776,501 | 425,034 | 351,467 | 580,049 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 4,014 | 442,908 | 438,894 | 64,542 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | - | - | - | - |
| NET CHANGE IN FUND BALANCE | 4,014 | 442,908 | 438,894 | 64,542 |
| FUND BALANCE, Beginning | - | 511,516 | 511,516 | 446,974 |
| FUND BALANCE, Ending | $ 4,014 | $ 954,424 | $ 950,410 | $ 511,516 |

See the accompanying Independent Auditor's Report.

TOWN OF LOG LANE VILLAGE, COLORADO

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
FPPA - STATEWIDE DEFINED BENEFIT PLAN - POLICE
Last Ten Years*

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Proportion of the Net Pension Liability (Asset) | 0.01582% | 0.01920% | 0.01410% | 0.00754% |
| Proportionate Share of the Net Pension Liability (Asset) | $ 5,716 | $ (389) | $ (15,908) | $ (6,739) |
| Covered Employee Payroll | $ 119,425 | $ 80,963 | $ 63,388 | $ 32,738 |
| Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll | 4.79% | -0.48% | -25.10% | -20.58% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 98.21% | 100.10% | 106.83% | 105.83% |
| Total Pension Liability | $ 2,021,526,883 | $ 1,846,961,999 | $ 1,652,901,084 | $ 1,533,631,141 |
| Plan Fiduciary Net Position | 1,985,383,043 | 1,848,724,853 | 1,765,758,630 | 1,623,049,809 |
| Net Pension Liability | $ 36,143,840 | $ (1,762,854) | $ (112,857,546) | $ (89,418,668) |

* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

TOWN OF LOG LANE VILLAGE, COLORADO

SCHEDULE OF TOWN PENSION CONTRIBUTIONS
FPPA - STATEWIDE DEFINED BENEFIT PLAN - POLICE
Last Ten Fiscal Years

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Contractually Required Contribution | $ 9,554 | $ 6,477 | $ 5,071 | $ 2,619 |
| Contributions in Relation to the Contractually Required Contribution | 9,554 | 6,477 | 5,071 | 2,619 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered employee payroll | $ 119,425 | $ 80,963 | $ 63,388 | $ 32,738 |
| Contributions as a Percentage of Covered Employee Payroll | 8.00% | 8.00% | 8.00% | 8.00% |

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

## NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgets

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

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

- In September, Management submits to the Town Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer and public comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Budgets amended by the Town Board of Trustees during the year have been presented in the budgetary comparison schedules for each fund amended.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures must be approved by the Town Board of Trustees.
- All budget appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

### Legal Compliance

For the year ended December 31, 2017, the Conservation Trust actual expenditures and transfers out exceeded budgeted expenditures and transfers out by $13,875. This may be a violation of State statutes.

## NOTE 2: DEFINED BENEFIT PENSION PLANS

### FPPA POLICE AND FIRE STATEWIDE DEFINED BENEFIT PLANS

Changes in Plan Provisions. The plan provisions have not changed since the prior valuation. The member contribution rate increased in 2017 as a result of member election.

Benefit Adjustments. Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the FPPA Board of Directors discretion and can range from 0% to 3%. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months to October 1.

Changes of Assumptions. Beginning in the January 1, 2014, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

SUPPLEMENTARY INFORMATION

TOWN OF LOG LANE VILLAGE, COLORADO

CONSERVATION TRUST FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2016 ACTUAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Lottery Revenues | $ 7,600 | $ 8,602 | $ 1,002 | $ 9,678 |
| Interest | 3 | 25 | 22 | 2 |
| TOTAL REVENUES | 7,603 | 8,627 | 1,024 | 9,680 |
| EXPENDITURES | | | | |
| Parks and Recreation | 7,580 | 21,455 | (13,875) | 6,338 |
| TOTAL EXPENDITURES | 7,580 | 21,455 | (13,875) | 6,338 |
| NET CHANGE IN FUND BALANCE | 23 | (12,828) | (12,851) | 3,342 |
| FUND BALANCE, Beginning | - | 23,132 | 23,132 | 19,790 |
| FUND BALANCE, Ending | $ 23 | $ 10,304 | $ 10,281 | $ 23,132 |

See the accompanying Independent Auditor's Report.

TOWN OF LOG LANE VILLAGE, COLORADO

WATER FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2016 ACTUAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Charges for Services | $ 350,000 | $ 328,885 | $ (21,115) | $ 336,650 |
| Connection and Late Fees | 10,200 | 3,308 | (6,892) | 6,697 |
| Investment Income | 300 | 14 | (286) | 17 |
| Miscellaneous | 1,500 | 1,644 | 144 | 3,327 |
| TOTAL REVENUES | 362,000 | 333,851 | (28,149) | 346,691 |
| EXPENDITURES | | | | |
| Operations and Maintenance | 289,375 | 160,811 | 128,564 | 185,223 |
| Administration and General | 49,540 | 46,448 | 3,092 | 50,214 |
| Capital Outlay | - | (132,234) | 132,234 | (119,875) |
| Debt Service | | | | |
| Principal | - | 46,868 | (46,868) | 45,640 |
| Interest | 97,562 | 50,694 | 46,868 | 51,921 |
| TOTAL EXPENDITURES | 436,477 | 172,587 | 263,890 | 213,123 |
| NET INCOME, Budget Basis | $ (74,477) | 161,264 | $ 235,741 | 133,568 |
| GAAP BASIS ADJUSTMENTS | | | | |
| Capital Outlay | | (132,234) | | (119,875) |
| Depreciation | | (53,192) | | (48,550) |
| Principal Paid on Long-Term Debt | | 46,868 | | 45,640 |
| NET INCOME, GAAP Basis | | 22,706 | | 10,783 |
| NET POSITION, Beginning | | 3,297,566 | | 3,286,783 |
| NET POSITION, Ending | | $ 3,320,272 | | $ 3,297,566 |

See the accompanying Independent Auditor's Report.

TOWN OF LOG LANE VILLAGE, COLORADO

SEWER FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2016 ACTUAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Charges for Services | $ 175,000 | $ 175,508 | $ 508 | $ 180,743 |
| Late Fees | 15,000 | 4,233 | (10,767) | 14,131 |
| Investment Income | 150 | 599 | 449 | 418 |
| TOTAL REVENUES | 190,150 | 180,340 | (9,810) | 195,292 |
| EXPENDITURES | | | | |
| Operations and Maintenance | 145,450 | 113,879 | 31,571 | 118,425 |
| Administration and General | 44,700 | 45,105 | (405) | 45,129 |
| Capital Outlay | - | - | - | 28,750 |
| Debt Service | | | | |
| Principal | - | - | - | 11,216 |
| Interest | - | - | - | 157 |
| TOTAL EXPENDITURES | 190,150 | 158,984 | 31,166 | 203,677 |
| NET INCOME, Budget Basis | $ - | 21,356 | $ 21,356 | (8,385) |
| GAAP BASIS ADJUSTMENTS | | | | |
| Capital Outlay | | - | | 28,750 |
| Depreciation | | (21,122) | | (19,743) |
| Principal Paid on Long-term Debt | | - | | 11,216 |
| NET INCOME, GAAP Basis | | 234 | | 11,838 |
| NET POSITION, Beginning | | 521,034 | | 509,196 |
| NET POSITION, Ending | | $ 521,268 | | $ 521,034 |

See the accompanying Independent Auditor's Report.

TOWN OF LOG LANE VILLAGE, COLORADO

TRASH FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2016 ACTUAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Charges for Services | $ 67,000 | $ 59,490 | $ (7,510) | $ 29,901 |
| Transfers In | 8,662 | - | (8,662) | - |
| TOTAL REVENUES | 75,662 | 59,490 | (16,172) | 29,901 |
| EXPENDITURES | | | | |
| Operations and Maintenance | 71,712 | 70,827 | 885 | 29,342 |
| TOTAL EXPENDITURES | 71,712 | 70,827 | 885 | 29,342 |
| NET INCOME, Budget Basis | $ 3,950 | (11,337) | $ (11,337) | 559 |
| NET POSITION, Beginning | | 559 | | - |
| NET POSITION, Ending | | $ (10,778) | | $ 559 |

See the accompanying Independent Auditor's Report.

# OTHER INFORMATION

| LOCAL HIGHWAY FINANCE REPORT | City or County: Town of Log Lane Village<br>YEAR ENDING : December 2017 |
|---|---|
| This Information From The Records Of Town of Log Lane Village: | Prepared By: Town Clerk/Treasurer<br>Phone: 970-867-8027 |

## 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 | 0 |
| 3. Other local imposts (from page 2) | 52,891 |
| 4. Miscellaneous local receipts (from page 2) | 29,605 |
| 5. Transfers from toll facilities | |
| 6. Proceeds of sale of bonds and notes: | |
| a. Bonds - Original Issues | |
| b. Bonds - Refunding Issues | |
| c. Notes | |
| d. Total (a. + b. + c.) | 0 |
| 7. Total (1 through 6) | 82,496 |
| **B. Private Contributions** | |
| **C. Receipts from State government** (from page 2) | 25,741 |
| **D. Receipts from Federal Government** (from page 2) | 0 |
| **E. Total receipts (A.7 + B + C + D)** | 108,237 |

## III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT |
|---|---|
| **A. Local highway disbursements:** | |
| 1. Capital outlay (from page 2) | |
| 2. Maintenance: | 37,239 |
| 3. Road and street services: | |
| a. Traffic control operations | 0 |
| b. Snow and ice removal | 0 |
| c. Other - lighting | |
| d. Total (a. through c.) | 0 |
| 4. General administration & miscellaneous | 13,246 |
| 5. Highway law enforcement and safety | 57,752 |
| 6. Total (1 through 5) | 108,237 |
| **B. Debt service on local obligations:** | |
| 1. Bonds: | |
| a. Interest | |
| b. Redemption | |
| c. Total (a. + b.) | 0 |
| 2. Notes: | |
| a. Interest | |
| b. Redemption | |
| c. Total (a. + b.) | 0 |
| 3. Total (1.c + 2.c) | 0 |
| **C. Payments to State for highways** | |
| **D. Payments to toll facilities** | |
| **E. Total disbursements (A.6 + B.3 + C + D)** | 108,237 |

## IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

## V. LOCAL ROAD AND STREET FUND BALANCE

| A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|---|---|---|---|---|
| | 108,237 | 108,237 | | 0 |

**Notes and Comments:**



See the accompanying Independent Auditor's Report.

| LOCAL HIGHWAY FINANCE REPORT | STATE: Colorado<br>YEAR ENDING (mm/yy): December 2017 |
|---|---|

## II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

| ITEM | AMOUNT | ITEM | AMOUNT |
|---|---|---|---|
| **A.3. Other local imposts:** | | **A.4. Miscellaneous local receipts:** | |
| a. Property Taxes and Assessments | 0 | a. Interest on investments | |
| b. Other local imposts: | | b. Traffic Fines & Penalities | 29,605 |
| 1. Sales Taxes | 52,891 | c. Parking Garage Fees | |
| 2. Infrastructure & Impact Fees | | d. Parking Meter Fees | |
| 3. Liens | | e. Sale of Surplus Property | |
| 4. Licenses | | f. Charges for Services | |
| 5. Specific Ownership &/or Other | | g. Other Misc. Receipts | |
| 6. Total (1. through 5.) | 52,891 | h. Other | |
| c. Total (a. + b.) | 52,891 | i. Total (a. through h.) | 29,605 |
| | (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 | 21,702 | 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 | 4,039 | d. Federal Transit Admin | |
| d. Other (Specify) - Road & Bridge | | e. U.S. Corps of Engineers | |
| e. Other (Specify) | | f. Other Federal | |
| f. Total (a. through e.) | 4,039 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 25,741 | 3. Total (1. + 2.g) | |
| | | | (Carry forward to page 1) |

## III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

| | ON NATIONAL HIGHWAY SYSTEM (a) | OFF NATIONAL HIGHWAY SYSTEM (b) | TOTAL (c) |
|---|---|---|---|
| **A.1. Capital outlay:** | | | |
| a. Right-Of-Way Costs | | | 0 |
| b. Engineering Costs | | | 0 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | 128,748 | 128,748 |
| (4). System Enhancement & Operation | | | 0 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 128,748 | 128,748 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0 | 128,748 | 128,748 |
| | | | (Carry forward to page 1) |

**Notes and Comments:**

**FORM FHWA-536 (Rev.1-05)** PREVIOUS EDITIONS OBSOLETE

See the accompanying Independent Auditor's Report.