

**TOWN OF OLATHE, COLORADO
FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017**

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August 23 , 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Board of Trustees
Town of Olathe, Colorado
Olathe, Colorado 81425

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Olathe, Colorado, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 information, schedule of change in net pension plan assets and schedule of contributions to pension plan on pages 4-10, 43-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting or placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Olathe, Colorado's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules of the proprietary funds and Local Highway Finance Report are presented for purposes of additional analysis or legal and regulatory requirements and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules for the proprietary funds and Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 my opinion, the combining and individual nonmajor fund financial statements, budgetary schedules for the proprietary funds and Local Highway Finance Report are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 23, 2018, on my consideration of the Town of Olathe, Colorado's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Olathe, Colorado's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Olathe, Colorado's internal control over financial reporting and compliance.

Kelly Neal Sents, CPA, PC

July 23, 2018
Delta, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF OLATHE
Management's Discussion and
Analysis Fiscal Year Ending
December 31, 2017

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

FINANCIAL HIGHLIGHTS

- The Town's total cash and investments as of December 31, 2017 was \$430,648 an increase of \$194,446 due to an increase in grants received but not spent at year end.
- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$6,430,804 (i.e. net position) as of December 31, 2017, an increase of \$1,021,214 in comparison to the prior year.
- Governmental funds reported combined ending fund balance of \$262,644, a decrease of \$43,883 in comparison with the prior year.
- The Town's fund balance for the General Fund was \$3,125 a decrease of \$38,861 in comparison to the prior year.
- Long-term liabilities increased by \$132,262 during the 2017 fiscal year.

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) governmental-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 reported as net position. Over time, the increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the 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 expenditures 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 or a significant portion of their costs through user fees and charges (Business-type Activities).

The Governmental Activities of the Town include general government administration, police, public works, parks, recreation and the care and maintenance of the Community Center. The business-type Activities of the Town include the following utilities: water, sewer, and trash; in addition to service provided by activities, the care and maintenance of the Community Center.

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 funds can be divided into 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 financing 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 the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The Town adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General Fund and Road Fund to demonstrate compliance with the budget. Budgetary comparisons for all other funds are provided as schedules elsewhere in the report.

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary comparisons for the General Fund and Road Fund and statistical information for the police pension. The combining statements of nonmajor governmental funds and budgetary comparison schedules for proprietary funds are presented immediately following the required supplementary information on budgetary comparisons.

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 outflow of resources exceeded liabilities and deferred inflows of resources by \$6,430,804. There are no available unrestricted resources to meet the Town's general future financial obligations and \$198,011 is available but restricted for Streets and Alleys in the Governmental Funds. For the business type activities there are no available unrestricted resources.

By far the largest portion of net position is the investment in capital assets (net of related debt) of \$6,215,927 (97% 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 2016	Governmental Activities 2017	Business Type Activities 2016	Business Type Activities 2017	Totals 2016	Totals 2017
Assets						
Current and other assets	430,263	669,510	48,950	53,331	479,213	722,841
Capital assets	1,224,954	1,987,816	5,279,554	5,706,603	6,504,508	7,694,419
Total assets	1,655,217	2,657,326	5,328,504	5,759,934	6,983,721	8,417,260
Deferred Outflow of resource						
FPPA pension plan	56,861	70,413			56,861	70,413
Other Liabilities	56,520	318,687	93,680	41,551	158,260	360,238
Long-term liabilities	41,691	96,196	1,339,841	1,498,666	1,494,187	1,594,862
Total Liabilities	98,211	414,883	1,433,521	1,540,217	1,652,447	1,955,100
Deferred Inflows of resources						
Deferred property tax & pension	99,260	101,769			100,655	101,769
Net Position						
Investment in capital assets, net or related debt	1,161,291	1,891,620	3,920,958	4,324,307	5,082,249	6,215,927
Restricted	348,162	330,447	85,544	85,544	433,706	415,991
Unrestricted	5,154	-10,980	-111,519	-190,134	-106,365	-201,114
Total net position	1,514,607	2,211,087	3,894,983	4,219,717	5,409,590	6,430,804

An additional portion of net position, \$415,991 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$-201,114 (-3% of net position), are not currently available 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 \$1,021,214 in 2017.

	Governmental Activities 2016	Governmental Activities 2017	Business Type Activities 2016	Business Type Activities 2017	Total 2016	Total 2017
Revenues						
Program Revenues						
Charges for services	\$215,192	\$266,372	\$751,950	\$756,558	\$967,142	\$1,022,930
Operating Grants	\$112,518	\$103,545			\$112,518	\$103,545
Capital Grants	\$31,860	\$766,912	\$7,343	\$539,908	\$39,203	\$1,306,820
General Revenues						
Property taxes	\$111,854	\$113,040			\$111,854	\$113,040
Sales tax and other	\$396,229	\$391,833			\$396,229	\$391,833
Franchise taxes	\$55,568	\$58,368			\$55,568	\$58,368
Intergovernmental	\$33,886	\$36,534			\$33,886	\$36,534
Miscellaneous	\$6,917	\$6,551			\$6,917	\$6,551
Interest Income	\$153	\$252	\$285	\$469	\$438	\$721
Totals	\$964,177	\$1,743,407	\$759,578	\$1,296,935	\$1,723,755	\$3,040,342
Expenses						
General government	\$158,166	\$152,782			\$158,166	\$152,782
Public safety	\$349,840	\$399,223			\$349,840	\$399,223
Judicial	\$13,946	\$18,382			\$13,946	\$18,382
Parks	\$134,548	\$164,014			\$134,548	\$164,014
Public works	\$251,788	\$272,300			\$251,788	\$272,300
Recreation	\$20,145	\$26,347				\$26,347
Community Center	\$13,185	\$13,879				\$13,879
Water			\$314,620	\$323,983	\$314,620	\$323,983
Sewer			\$415,371	\$467,310	\$415,371	\$467,310
Trash			\$171,738	\$180,908	\$171,738	\$180,908
					\$0	\$0
Total expenses	\$941,618	\$1,046,927	\$901,729	\$972,201	\$1,843,347	\$2,019,128
Increase in net position	\$22,559	\$696,480	-\$142,151	\$324,734	-\$119,592	\$1,021,214
Beginning	\$1,492,048	\$1,514,607	\$4,037,134	\$3,894,983	\$5,486,202	\$5,409,590
Ending	\$1,514,607	\$2,211,087	\$3,894,983	\$4,219,717	\$5,409,590	\$6,430,804

Governmental Activities

Governmental activities operations for the year resulted in an increase in net position of \$696,480. Property taxes and sales taxes accounted for 44% of the total revenues.

Business-type Activities

Business-type activities operations for the year resulted in an increase in net position of \$324,734. Charges for services accounted for 58% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

Governmental Funds – The focus of the Town's governmental funds 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, 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 funds reported combined ending fund balances of \$262,644, a decrease of \$43,883 in comparison with the prior year. Of the combined ending fund balances for all governmental funds 99% of this total amount, \$259,519 constitutes restricted fund balance, which is legally restricted for Tabor Emergency reserves, maintenance and repairs of Town roads, parks and recreation and the police pension. The remainder of the fund balance is assigned to subsequent year's expenditures.

The Town has two major governmental funds, the General Fund, which is the primary operating fund for the Town, and the Road Fund. At the end of 2017, unassigned fund balance of the General Fund was \$-0-, while the total fund balance was \$3,125. 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 Town's General Fund decreased by \$38,8 during 2017 due to various anticipated revenues that were not received.

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

The Town has three (3) enterprise funds; Water, Sewer and Trash. At the end of 2017, these funds represented the following net position amounts:

Fund	Water	Sewer	Trash	Total
Invested in capital assets, net of debt	\$572,538	\$3,468,760	\$283,009	\$4,324,307
Restricted net position		\$85,544		\$85,544
Unrestricted net position	-\$72,720	-\$47,751	-\$69,663	-\$190,134
Total net position	<u>\$499,818</u>	<u>\$3,506,553</u>	<u>\$213,346</u>	<u>\$4,219,717</u>
Increase (decrease) in net position	\$123,496	\$32,257	\$168,981	\$324,734

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgeted \$775,311 for 2017 expenditures and transfers. Actual expenditures and transfers were \$711,739. There was no amendment to the original budget for the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2017 was \$6,466,343. The investment in capital assets includes land, land improvements, buildings, and equipment.

	Town of Olathe's Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$179,725	\$175,325	\$247,603	\$247,603	\$427,328	\$422,928
Land Improvements	\$80,496	\$68,199			\$80,496	\$68,199
Infrastructure	\$616,562	\$589,721			\$616,562	\$589,721
Transmission and distribution systems			\$4,888,901	\$4,712,879	\$4,888,901	\$4,712,879
Buildings	\$221,222	\$209,589			\$221,222	\$209,589
Equipment	\$126,949	\$97,382	\$143,050	\$108,801	\$269,999	\$206,183
Construction in progress		\$847,600		\$637,320		\$1,484,920
Total	\$1,224,954	\$1,987,816	\$5,279,554	\$5,706,603	\$6,504,508	\$7,694,419

The Town's long-term liability activity for the year ending December 31, 2017 was as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital leases	\$63,663	\$60,000	\$27,467	\$96,196	\$27,258
Total Governmental activities	\$63,663	\$60,000	\$27,467	\$96,196	\$27,258
Business-type activities					
Water & Sewer Revenue					
Bonds	\$1,343,999		\$25,349	\$1,318,650	\$26,499
Capital leases	\$54,938	\$161,250	\$36,172	\$180,016	\$22,312
Total Business-type activities	\$1,398,937	\$161,250	\$61,521	\$1,498,666	\$48,811

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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Olathe, Colorado 419 Horton Ave., PO Box 789 Olathe, CO 81425

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF OLATHE, COLORADO

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & cash equivalents	\$ 324,590	3,898	328,488
Certificates of deposit	13,996	2,620	16,616
Receivables, net			
Accounts	14,190	55,911	70,101
Sales tax	64,356		64,356
Grants	12,687	38,061	50,748
Property tax	101,180		101,180
Due from other governments	5,808		5,808
Interfund balances	132,703	(132,703)	-
Temporarily Restricted			
Cash & cash equivalents		85,544	85,544
Capital Assets - net of accumulated depreciation			
Land, right of way and easements	175,325	247,603	422,928
Land improvements	68,199		68,199
Infrastructure	589,721		589,721
Transmission and distribution systems		4,712,879	4,712,879
Buildings and improvements	209,589	-	209,589
Equipment and vehicles	97,382	108,801	206,183
Construction in progress	847,600	637,320	1,484,920
Total Assets	2,657,326	5,759,934	8,417,260
Deferred Outflows of Resources			
Pension related amounts	70,413		70,413
Liabilities			
Accounts Payable	52,902	13,146	66,048
Accrued payroll liabilities	26,097	13,333	39,430
Accrued vacation payable	14,105	10,195	24,300
Unearned grant revenue	214,000		214,000
Interest Payable		4,877	4,877
Pension liability	11,583		11,583
Non Current Liabilities			
Due Within One Year	27,258	48,811	76,069
Due In More Than One Year	68,938	1,449,855	1,518,793
Total Liabilities	414,883	1,540,217	1,955,100
Deferred Inflow of Resources			
Pension related amounts	589		589
Unavailable revenue - property tax	101,180		101,180
Total Deferred Inflow of Resources	101,769	-	101,769
Net Position			
Net investment in capital assets	1,891,620	4,324,307	6,215,927
Restricted for:			
Emergencies and potential refund	58,006		58,006
Streets and alley's	198,011		198,011
Pension related amounts	59,582		59,582
Conservation trust	14,848		14,848
Debt service		85,544	85,544
Unrestricted	(10,980)	(190,134)	(201,114)
Total Net Position \$	2,211,087	4,219,717	6,430,804

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

TOWN OF OLATHE, COLORADO
Statement of Activities
For the year ended December 31, 2017

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
General government	\$	152,782	43,768	15,100	-	(93,914)		(93,914)
Public safety		399,223	6,619	-	-	(392,604)		(392,604)
Judicial		18,382	140,711	-	-	122,329		122,329
Parks		164,014	26,877	17,798	-	(119,339)		(119,339)
Public works		272,300	28,827	66,576	766,912	590,015		590,015
Recreation		26,347	11,915	4,071	-	(10,361)		(10,361)
Community center		13,879	7,655	-	-	(6,224)		(6,224)
Total governmental activities		<u>1,046,927</u>	<u>266,372</u>	<u>103,545</u>	<u>766,912</u>	<u>89,902</u>	<u>-</u>	<u>89,902</u>
BUSINESS-TYPE ACTIVITIES:								
Water		323,983	267,360		179,866		123,243	123,243
Sewer		467,310	299,283		200,176		32,149	32,149
Trash		<u>180,908</u>	<u>189,915</u>		<u>159,866</u>		<u>168,873</u>	<u>168,873</u>
Total business-type activities		<u>972,201</u>	<u>756,558</u>	<u>-</u>	<u>539,908</u>		<u>324,265</u>	<u>324,265</u>
Total	\$	<u>2,019,128</u>	<u>1,022,930</u>	<u>103,545</u>	<u>1,306,820</u>	<u>89,902</u>	<u>324,265</u>	<u>414,167</u>
General Revenues:								
Taxes								
Property taxes						\$ 113,040		113,040
Sales taxes						391,833		391,833
Franchise and occupational taxes						58,368		58,368
Severance taxes						5,337		5,337
Motor vehicle taxes and registrations						31,197		31,197
Donations						6,551		6,551
Earnings on investments						252	469	721
Total general revenues and transfers						<u>606,578</u>	<u>469</u>	<u>607,047</u>
Change in net position						696,480	324,734	1,021,214
NET POSITION - JANUARY 1						<u>1,514,607</u>	<u>3,894,983</u>	<u>5,409,590</u>
NET POSITION - DECEMBER 31						\$ <u>2,211,087</u>	<u>4,219,717</u>	<u>6,430,804</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF OLATHE, COLORADO

Balance Sheet

Governmental Funds

December 31, 2017

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 191,526	120,216	12,848	324,590
Certificate of deposit	1,000	9,655	3,341	13,996
Due from other funds		132,703		132,703
Receivables, net				
Accounts	11,114	3,076		14,190
Sales tax	42,562	21,794		64,356
Grants		12,687		12,687
Property tax	101,180			101,180
Due from other governments	1,761	4,047		5,808
Total assets	<u>\$ 349,143</u>	<u>304,178</u>	<u>16,189</u>	<u>669,510</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,943	42,959		52,902
Accrued payroll liabilities	20,895	5,202		26,097
Unearned grant revenue	214,000			214,000
Total liabilities	<u>244,838</u>	<u>48,161</u>	<u>-</u>	<u>292,999</u>
Deferred inflows of resources				
Unavailable grant revenue		12,687		12,687
Deferred property tax revenue	101,180			101,180
Total deferred inflows of resources	<u>101,180</u>	<u>12,687</u>	<u>-</u>	<u>113,867</u>
Fund Balances:				
Restricted for:				
Emergency and potential refund		58,006		58,006
Streets and alley's		185,324		185,324
Conservation trust			14,848	14,848
Police Officer's retirement			1,341	1,341
Assigned for:				
Subsequent year's expenditures	3,125			3,125
Unassigned:				
General fund	-			-
Total fund balances	<u>3,125</u>	<u>243,330</u>	<u>16,189</u>	<u>262,644</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 349,143</u>	<u>304,178</u>	<u>16,189</u>	<u>669,510</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OLATHE, COLORADOReconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2017

Total fund balances for governmental funds	\$	262,644
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	175,325	
Land improvements, net of \$360,534 accumulated depreciation	68,199	
Infrastructure, net of \$300,240 accumulated depreciation	589,721	
Buildings and improvements, net of \$142,603 accumulated depreciation	209,589	
Equipment, net of \$785,468 accumulated depreciation	97,382	
Construction in progress	847,600	
Total capital assets		1,987,816

Deferred outflows of resources related to pension are applicable to future periods, and, therefore, are not reported in the governmental funds. Deferred outflows of resources are related to the difference between projected and actual earnings on pension investments and the difference between contributions and proportionate share of contributions

70,413

Deferred inflows of resources related to pensions are applicable to future periods, and, therefore are not reported in the governmental funds. Deferred inflows of resources are related to the difference between expected and actual experience

(589)

Some of the grants will be received after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the governmental funds

12,687

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term are reported in the statement of net position

Capital leases payable	96,196	
Accrued vacation payable	14,105	
Net pension liability	11,583	
Total long-term liabilities		(121,884)

Total net position of governmental activities	\$	<u>2,211,087</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF OLATHE, COLORADO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended December 31, 2017

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 437,967	130,611		568,578
Licenses and permits	15,447			15,447
Intergovernmental	15,100	851,998	17,798	884,896
Miscellaneous	28,465	28,899	36	57,400
Public safety	6,619			6,619
Judicial	140,711			140,711
Parks	26,877			26,877
Recreation	19,787			19,787
Community center	10,405			10,405
Total revenues	<u>701,378</u>	<u>1,011,508</u>	<u>17,834</u>	<u>1,730,720</u>
EXPENDITURES				
Current:				
General government	141,692			141,692
Public safety	367,009		21,747	388,756
Judicial	18,334			18,334
Parks	150,052			150,052
Public works		223,159		223,159
Recreation	26,286			26,286
Community center	13,818			13,818
Capital outlay:				
General government	-			-
Public safety	-			-
Public works		847,600		847,600
Debt service:				
Principal	16,516	10,951		27,467
Interest	2,593	1,796		4,389
Total expenditures	<u>736,300</u>	<u>1,083,506</u>	<u>21,747</u>	<u>1,841,553</u>
Excess (deficit) of revenues over expenditures	(34,922)	(71,998)	(3,913)	(110,833)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	17,800		21,747	39,547
Operating transfers out	(21,747)		(17,800)	(39,547)
Lease proceeds		58,750		58,750
Total other financing sources (uses)	<u>(3,947)</u>	<u>58,750</u>	<u>3,947</u>	<u>58,750</u>
Net change in fund balances	(38,869)	(13,248)	34	(52,083)
FUND BALANCES, JANUARY 1	<u>93,744</u>	<u>194,073</u>	<u>16,189</u>	<u>304,006</u>
FUND BALANCES, DECEMBER 31	<u>\$ 54,875</u>	<u>180,825</u>	<u>16,223</u>	<u>251,923</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OLATHE, COLORADO

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

Net change in fund balances - total governmental funds \$ (52,083)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$847,600) depreciation (\$89,371) in the current period.

758,229

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source for financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of the principal portion of the lease is an expenditure in the governmental funds but a reduction of a liability in the statement of net position.

Capital lease payments

27,467

Lease proceeds

(58,750)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in pension expense

13,053

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources and revenues are not recognized until they become both measurable and available. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Grants receivable

12,687

Net change in accrued vacation payable

(4,123)

Change in net position of governmental activities

\$ 696,480

The notes to the financial statements are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Trash Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	2	3,896	3,898
Certificate of deposit			2,620	2,620
Accounts receivable, net of allowance for uncollectibles	10,225	29,619	16,067	55,911
Grants receivable	12,687	12,687	12,687	38,061
Total current assets	22,912	42,308	35,270	100,490
Temporarily restricted cash and cash equivalents		85,544		85,544
Property, plant and equipment - net of depreciation				
Land, right-of-way and easements	128,900	114,303	4,400	247,603
Transmission and distribution systems	278,658	4,434,221		4,712,879
Buildings and improvements	-	-	-	-
Equipment and vehicles	16,186	26,446	66,169	108,801
Construction in progress	212,440	212,440	212,440	637,320
Total property plant and equipment - net	636,184	4,787,410	283,009	5,706,603
Total assets	659,096	4,915,262	318,279	5,892,637
LIABILITIES				
Current liabilities:				
Accounts payable	8,712	2,829	1,605	13,146
Accrued payroll liabilities	5,202	5,202	2,929	13,333
Accrued vacation payable	4,174	4,174	1,847	10,195
Due to other funds	77,544	9,331	45,828	132,703
Interest payable		4,877		4,877
Long term debt due in one year:				
Capital lease payable	8,813	8,813	4,686	22,312
Note payable		26,499		26,499
Total current liabilities	104,445	61,725	56,895	223,065
Long Term Debt				
Capital lease payable	63,646	63,646	52,724	180,016
Note payable		1,318,650		1,318,650
Less amounts due in one year	(8,813)	(35,312)	(4,686)	(48,811)
Total net long term debt	54,833	1,346,984	48,038	1,449,855
Total liabilities	159,278	1,408,709	104,933	1,672,920
NET POSITION				
Net investment in capital assets	572,538	3,468,760	283,009	4,324,307
Restricted		85,544		85,544
Unrestricted	(72,720)	(47,751)	(69,663)	(190,134)
Total net position	\$ 499,818	3,506,553	213,346	4,219,717

The notes to the financial statements are an integral part of this statement.

TOWN OF OLATHE, COLORADO

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the year ended December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Trash Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 258,220	284,371	189,915	732,506
Late charge fees	4,840	4,840		9,680
Tap fees - unpledged	-	3,754		3,754
Pump station surcharge		5,202		5,202
Miscellaneous income	4,300	1,116	-	5,416
Total operating revenues	267,360	299,283	189,915	756,558
OPERATING EXPENSES				
Operations and maintenance	290,103	246,220	156,203	692,526
Depreciation	30,834	157,942	21,496	210,272
Total operating expenses	320,937	404,162	177,699	902,798
Operating income (loss)	(53,577)	(104,879)	12,216	(146,240)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	253	108	108	469
Interest expense	(3,046)	(63,148)	(3,209)	(69,403)
Grants	179,866	200,176	159,866	539,908
Net nonoperating revenues (expenses)	177,073	137,136	156,765	470,974
Change in net position	123,496	32,257	168,981	324,734
TOTAL NET POSITION, JANUARY 1	376,322	3,474,296	44,365	3,894,983
TOTAL NET POSITION, DECEMBER 31	\$ 499,818	3,506,553	213,346	4,219,717

The notes to the financial statements are an integral part of this statement.

TOWN OF OLATHE, COLORADO
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Trash Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 268,541	299,074	189,437	757,052
Net receipts (payments) from interfund borrowing	13,798	9,331	13,955	37,084
Payments to suppliers	(194,556)	(155,239)	(106,688)	(456,483)
Payments to employees	(88,778)	(88,779)	(51,425)	(228,982)
Net cash provided by (used in) operating activities	(995)	64,387	45,279	108,671
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(212,440)	(212,440)	(212,440)	(637,320)
Federal and state grants	167,179	187,301	147,178	501,658
Proceeds from capital lease	53,750	53,750	53,750	161,250
Principal paid on long-term debt	(4,701)	(30,050)	(26,770)	(61,521)
Interest paid on long-term debt	(3,046)	(63,054)	(3,209)	(69,309)
Net cash provided by (used in) capital and related financing activities	742	(64,493)	(41,491)	(105,242)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	253	108	108	469
Net cash provided by (used in) investing activities	253	108	108	469
Net increase (decrease) in cash and cash equivalents	-	2	3,896	3,898
CASH AND CASH EQUIVALENTS, JANUARY 1	-	85,544	-	85,544
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ -	85,546	3,896	89,442
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (53,577)	(104,879)	12,216	(146,240)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	30,834	157,942	21,496	210,272
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	1,181	(209)	(478)	494
Increase (decrease) in accounts payable	4,953	387	(2,701)	2,639
Increase (decrease) in accrued vacation payable	599	599	169	1,367
Increase (decrease) in accrued payroll liabilities	1,217	1,216	622	3,055
Increase (decrease) in due to other funds	13,798	9,331	13,955	37,084
Net cash provided by (used in) operating activities	\$ (995)	64,387	45,279	108,671

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The Town of Olathe, Colorado (referred to hereafter as the Town) is incorporated as a statutory Town under the laws of the State of Colorado with a Mayor- Town Board form of government. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present the Town of Olathe, Colorado a primary government. Based on criteria set forth by GASB, there are no component units for which the Town is financial accountable.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Town) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double reporting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes levied by the Town, are presented as general revenues.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (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. The principal operating revenues of the Water, Sewer, and Trash are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operation expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Town does not have *fiduciary* fund types.

The Town reports the following major governmental funds:

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

Road Fund. This fund accounts for the 1.33% sales tax dedicated to the construction and maintenance of the Town's streets and alleys.

The Town reports the following major enterprise funds:

Water Fund. This fund accounts for the operation, maintenance, and development of water services.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (continued)

Sewer Fund. This fund accounts for the operation, maintenance, and development of sewer services.

Trash Fund. This fund accounts for the operation and maintenance of trash collection services.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchanges, include sales taxes, grants, entitlements, and donations. On the accrual basis, revenues from sales taxes are recognized in the period for which the taxes are collected by vendors. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liabilities is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues or operating funds transfers. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues or operating fund transfers.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND EQUITY

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and will not be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period has been recorded as deferred inflows. Grants and entitlements received before eligibility requirements are met (e.g., cash advances) are recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deposits and Investments. The cash balances of substantially all funds are pooled for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at December 31, 2017, based on market prices. The individual funds' portions of the pool's fair value are presented as cash and cash equivalents or certificates of deposit. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average monthly balance of each participating fund.

Cash and Cash Equivalents. The Town considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturing date of three months or less to be cash equivalents.

Property Taxes. Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or in two equal installments due February 28th and June 15th. Property taxes levied in the current year and collected in the following year are reported as deferred inflow of resources at December 31st.

Restricted Assets. Restricted assets in governmental and enterprise funds include assets restricted by various covenants of bonds issues by the Town, including bond and interest funds, reserve funds, and unexpended proceeds of bond issues, if applicable. Restricted assets in the non-major governmental funds generally include assets restricted by grantors.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND EQUITY (continued)

Capital Assets. Capital assets, which include property, plant, and equipment, are defined by the Town as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of two years.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets are reported at estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Enterprise Fund construction costs are increased by interest incurred on bonds during the construction period and reduced by earnings from investment of any unexpended bond proceeds.

Depreciation is calculated using the straight-line method over the estimated useful lives, and no depreciation is recorded in the year of acquisition or construction of such assets. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense in the appropriate fund. The estimated useful lives are as follows:

Buildings	30 years
Equipment, Furniture and Vehicles	3-30 years
Transmission and Distribution, Lines and Meters	30-40 years
Treatment and Filtration Plants	30 years
Reservoirs and Storage Facilities	100 years
Land Improvements	15 years
Infrastructure	20-25 years

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND EQUITY (continued)

Long-Term Debt. In the government-wide financial statements, and proprietary fund types in the fund 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 type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts, issuance costs, and deferred amounts on refunding associated with issuing bonds of proprietary-type funds or bonds issued or refunded after December 31, 2012 for governmental activities are expensed when the bond is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated annual leave balances. The liability has been calculated using the vesting method, in which earned and eligible leave amounts for employees, will be paid as termination payments. The Town's policies do not allow for payment to employees who are expected to become eligible in the future to receive such payments upon termination.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES AND EQUITY (continued)

Fund Equity. Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance amounts that are not in spendable form, (such as inventory), or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers, (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance amounts that are available for any purpose; positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, The Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council has provided otherwise in its commitment or assignment actions.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing budgets:

- a. Budgets are required by state law for all governmental and proprietary funds.
- b. During September the proposed budget is submitted to the Town Board for the fiscal year commencing the following January 1.
- c. Prior to December 31, the budget is adopted and appropriations are authorized by ordinance at the fund level for all funds. The legal level of budgetary control is at the individual fund level for all funds.
- d. Budgets are adopted on a basis consistent with the accounting basis of all funds except for proprietary-type funds. In the proprietary funds, the Town budgets for capital outlays, transfers to and from reserve funds and bond principal and interest payments and does not budget for depreciation.
- e. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class and in total by each fund. The total fund level constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to approval by ordinance from the Town Board. Within the fund level control basis, management may transfer appropriations without Board approval. Revisions to the budget were made throughout the year. Budget amounts included in the budgetary comparison schedules are based on the final legally amended budget.
- f. Appropriations lapse at the end of each year, and the Town Board may adopt supplemental appropriations during the year. The Town Board may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's administrator or the revenue estimates must be changed by the Town Board when adopting supplemental appropriations.

Originally adopted budgeted expenditures, amendments and the final, amended budgeted expenditures for the year ended December 31, 2017 are as follows:

	Original Budget	Amendments	Final Budget
General Fund	\$ 773,376		773,376
Road Fund	1,229,001	266,250	1,495,251
Conservation Trust Fund	20,000		20,000
Police Pension Fund	22,000		22,000
Water Fund	296,045	266,250	562,295
Sewer Fund	341,280	266,250	607,530
Trash Fund	182,562	266,250	448,812
Total	\$ 2,864,264	1,065,000	3,929,264

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

2-DEPOSITS AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must at least be equal to 102% of the aggregate uninsured deposits.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for deposits allows funds to be placed in any account that is guaranteed by the Federal Deposit Insurance Corporation with remaining amounts collateralized by securities pledged by the financial institution. As of December 31, 2017, none of the Town's bank balances of \$358,814 were exposed to custodial credit risk as \$266,615 was insured and \$99,199 was collateralized by securities pledged by financial institutions.

INVESTMENTS

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

<u>Description</u>	<u>Weighted Maturity</u>	<u>Fair Value</u>
Colotrust Prime	N/A	\$69,262

Interest rate risk. The Town does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The Town's general investment policy is to apply the prudent-person rule: Prudence and protection of Town funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2017, the Town's investment in Colotrust Prime was rated AAAM by Standard & Poor's. Separate

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

2 – DEPOSITS & INVESTMENTS (continued)

Concentration of credit risk. Investments must be in accordance with Colorado statutes and the Town does not have an investment policy that limits the amount of investments in any single type of investment.

COLOTRUST issues a publicly available annual financial report that can be obtained on it's website at <http://www.colotrust.com>.

3–ALLOWANCE FOR UNCOLLECTIBLES

Receivables are stated net of allowances for uncollectibles, however, at December 31, 2017, the Town considered all accounts collectible and accordingly, no provision for an allowance is recorded.

4 – JOINT VENTURE

The Town is a participant with two other municipalities and two water districts in a joint venture to operate the Project 7 Water Authority, a water treatment facility. The Authority is governed by a board consisting of five appointed representatives from each of the participants. The Town is obligated by contract to purchase the treatment of 45 million gallons of water annually from the Authority so long as the Authority has any unpaid debt, other than from operating expenses. The rate is 90 cents per thousand gallons which results in a minimum annual purchase commitment of \$40,500, but, the rate charged may be changed by action of the Authority. During 2017, the Town purchased treatment of 78,208,300 gallons for \$70,387 and owed the Authority \$2,379 at December 31, 2017 . Separate financial statements of Project 7 Water Authority are available from the Town or the Authority.

TOWN OF OLATHE, COLORADO**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2017

5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 175,325	-	-	175,325
Construction in progress		847,600		847,600
Total Capital Assets Not Being Depreciated	175,325	847,600	-	1,022,925
<i>Capital Assets Being Depreciated</i>				
Land improvements	428,733			428,733
Infrastructure, Road Network	889,961			889,961
Buildings	352,192			352,192
Equipment and vehicles	852,850			852,850
Total Capital Assets Being Depreciated	2,523,736	-	-	2,523,736
Less Accumulated Depreciation for:				
Land improvements	339,205	21,330		360,535
Infrastructure, Road Network	273,399	26,841		300,240
Buildings	130,970	11,633		142,603
Equipment and vehicles	725,900	29,567		755,467
Total Accumulated Depreciation	1,469,474	89,371	-	1,558,845
Total Capital Assets Being Depreciated, Net	1,054,262	(89,371)	-	964,891
Governmental Activity Capital Assets, Net	\$ 1,229,587	758,229	-	1,987,816
Business Type Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land and Easements	\$ 247,603	-	-	247,603
Construction in progress		637,320		637,320
Total Capital Assets Not Being Depreciated	247,603	637,320	-	884,923
<i>Capital Assets Being Depreciated</i>				
Transmissions and Distribution Systems	1,139,015			1,139,015
Treatment Facilities	6,153,850			6,153,850
Building and Improvements	22,589			22,589
Equipment and Furniture	898,200			898,200
Total Capital Assets Being Depreciated	8,213,654	-	-	8,213,654
Less Accumulated Depreciation for:				
Transmission and Distribution Systems	834,610	25,747		860,357
Treatment Facilities	1,569,355	150,275		1,719,630
Building and Improvements	22,589			22,589
Equipment and Furniture	755,150	34,248		789,398
Total Accumulated Depreciation	3,181,704	210,270	-	3,391,974
Total Capital Assets Being Depreciated, Net	5,031,950	(210,270)	-	4,821,680
Business Type Activities, Capital Assets, Net	\$ 5,279,553	427,050	-	5,706,603

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan:

The Town participates with several other counties, municipalities and special districts in Colorado and contributes to the Colorado County Officials and Employees Retirement Association (Association), a defined contribution plan, for all of its full time employees except police officers. Full time employees are eligible to participate after 90 days from the date of employment. The Association requires that both the employee and the Town contribute an amount equal to 3% of the employee's base salary each month. The Town's contributions for each employee, (and interest allocated to each employee's account), are fully vested after five years of continuous service. The Town contributions for and interest forfeited by, employees who leave employment before five years of service are used to reduce the Town's current period contribution requirement. For the year ended December 31, 2017, the Town made contributions and recognized \$11,934 as expense and the employee's contributions totaled \$11,934.

Statewide Defined Benefit Pension Plan for Police Officers:

The Town's police officers participate in the Statewide Defined Benefit Plan (SWDB), which is a cost sharing multiple employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>

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 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. 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 1st. The amount of any increase is based on the FPPA Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS (continued)

Statewide Defined Benefit Pension Plan for Police Officers: (continued)

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

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 the SWDB 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 election of the membership.

Members of the SWDB plan and their employers are contributed at the rate of 9 percent and 8 percent, respectively, of base salary for a total contribution rate of 17 percent in 2016. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments reentering 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 percent of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the reentry group increased their required member contribution rate increase to 0.5 percent annually, beginning in 2015, through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS (continued)

Statewide Defined Benefit Pension Plan for Police Officers: (continued)

The contribution rate for members and employers of affiliated social security employers was 4.5 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.5 percent in 2016. Per the 2014 member elections, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually, beginning in 2015, through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Pension Liabilities / Asset, 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 \$11,583. The net pension asset 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 January 1, 2016.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS (continued)

Statewide Defined Benefit Pension Plan for Police Officers: (continued)

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$	10,343	589
Changes in proportion and differences between contributions and proportionate share of contributions		4,848	
Net difference between projected and actual earnings on pension plan investments		31,266	
Changes in assumptions		7,912	
Contributions subsequent to the measurement date		16,044	
Total	\$	<u>70,413</u>	<u>589</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the plan year ended December 31		Amounts recognized in collective pension expense
2017	\$	11,935
2018		11,935
2019		11,222
2020		4,566
2021		2,098
Thereafter		7,319

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS (continued)

Statewide Defined Benefit Pension Plan for Police Officers: (continued)

The actuarial valuations for the SWDB were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuation used the following actuarial assumptions and other inputs:

	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2016
Actuarial Method	Entry Age: Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return	7.5%
Projected Salary Increases	4.0% - 14.0%
including inflation at	2.5%
Cost of Living Adjustments (COLA)	0.00%

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

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS (continued)

Statewide Defined Benefit Pension Plan for Police Officers: (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	36.0%	9.25%
Equity Long/Short	10.0%	7.35%
Illiquid Alternatives	23.0%	10.75%
Fixed Income	15.0%	4.10%
Absolute Return	10.0%	6.55%
Managed Futures	4.0%	5.50%
Cash	2.0%	0.00% *
Total	<u>100.0%</u>	

* - While the expected inflation exceeds the expected rate of return for cash, a 0.0 percent real rate of return is utilized

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

6 – EMPLOYEE RETIREMENT PLANS (continued)

Statewide Defined Benefit Pension Plan for Police Officers: (continued)

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 FPPA Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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.

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

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

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the Town's portion of the plan's net pension (asset) liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	Single Discount Rate	
	Assumption	
1% Decrease		1% Increase
6.50%	7.50%	8.50%
\$ 98,557	11,583	(60,652)

TOWN OF OLATHE, COLORADO**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2017

7 – COMMITMENTS

The Town has entered into a contract with the Tri-County Conservancy District to purchase water from the Dallas Creek Project as follows:

	Annual Purchase and Operations and Maintenance Commitment	Calendar Years	Annual Payment
Blocks One, Two and Three:	300 Acre Feet Annually	2018 through 2049	\$ 25,384

The purchase price per acre foot shall not exceed the average cost of all municipal and industrial water for which the Tri-County Water Conservancy District is obligated to pay the United States for such water which is limited to \$38,000,000. The purchase price is currently \$77.61 per acre foot, with potential cost adjustments at no longer than five year intervals. Such annual payments are subject to adjustment as a result of rate adjustments. In addition, the Town pays the District a proportionate amount of the operations, maintenance and replacement costs of the project attributable to municipal and industrial use which were set at \$4.00 per acre foot subject to annual adjustment.

8 – CAPITAL LEASE OBLIGATIONS

The Town leases police cars, a tractor and a shop building under leases classified as capital leases, however, the payments are subject to annual appropriation. The total original cost of all the capitalized assets is \$554,705. The leased equipment is amortized on a straight line basis over 7 years, 10 years and 15 years, respectively, which is included in depreciation expense. Total accumulated amortization related to the leased equipment is \$175,458 and is included in accumulated depreciation. The following is a schedule showing future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 31, 2017.

	Police Cars	Tractor	Shop	Total
Interest rate	2.75%	3.00%	3.89%	
Monthly payments	\$ 1,592	1,100		
Semi-annual payments	\$		13,383	
2018	\$ 19,107	13,204	26,766	59,077
2019	14,267	13,204	26,766	54,237
2020		7,703	26,766	34,469
2021			26,766	26,766
2022			26,766	26,766
2023-2027			120,447	120,447
Total minimum lease payments	33,374	34,111	254,277	321,762
Less: amount representing interest	824	1,345	43,381	45,550
Present value of minimum lease payments	32,550	32,766	210,896	276,212

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

9 – LONG-TERM LIABILITIES

The Town issued \$1,580,000 Water & Sewer Revenue Bonds Series 2004 on December 30, 2004 to facilitate the construction of a waste water treatment plant. The bonds were issued at an interest rate of 4.50% per annum and are payable in installments of \$42,772 on June 1st and December 1st of each year including principal and interest. The bonds mature on December 1, 2044. The loan is collateralized by the waste water treatment plant.

Principal and interest payments for the years following December 31, 2017 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018 \$	26,499	59,045	85,544
2019	27,705	57,839	85,544
2020	28,966	56,578	85,544
2021	30,284	55,260	85,544
2022	31,662	53,882	85,544
2023-2027	181,282	246,438	427,720
2028-2032	226,457	201,263	427,720
2033-2037	282,891	144,829	427,720
2038-2042	353,389	74,331	427,720
2043-2044	129,515	6,195	135,710
Total \$	<u>1,318,650</u>	<u>955,660</u>	<u>2,274,310</u>

The Town has pledged to establish and collect rates and fees for services to create gross revenue each fiscal year to pay operation and maintenance expenses to create net revenue in an amount: (i) equal to not less than 100% of the amount necessary to pay when due the principal and interest of the bonds coming due during such fiscal year and (ii) sufficient to make up any deficiencies in the required reserved account of \$85,544. For the year ended December 31, 2017, the rates charged in the Sewer Fund were not sufficient in compliance with this covenant by approximately \$10,063, however the Town raised sewer rates in December, 2017, in accordance with the covenant. The required reserve of \$85,544 was funded.

For the year ended December 31, 2017, no interest was capitalized to fixed assets and \$4,431 in the governmental funds and \$65,653 in the proprietary funds totaling \$70,084 was charged to expense.

TOWN OF OLATHE, COLORADO**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2017****9 – LONG-TERM LIABILITIES (continued)**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital leases	\$ 63,663	60,000	27,467	96,196	27,258
Total Governmental activities	\$ 63,663	60,000	27,467	96,196	27,258
Business-type activities					
Water & Sewer Revenue Bonds	\$ 1,343,999		25,349	1,318,650	26,499
Capital leases	54,938	161,250	36,172	180,016	22,312
	\$ 1,398,937	161,250	61,521	1,498,666	48,811

10 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of Interfund balances as of December 31, 2017 is as follows:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Road Fund	Water Fund	\$ 77,544
	Sewer Fund	9,331
	Trash Fund	45,828
		\$ 132,703

The balance that the Sewer Fund owes is expected to be repaid in 2018, however, the Town intends to form a payment plan for the balances that the Water and Trash Fund's owe to repay the Road Fund as soon as possible but will require a time frame longer than one year.

B. Interfund Transfers

Interfund transfers to supplement the expenditures/expenses of other funds were as follows:

		Transfers in	
	General Fund	Police Pension Fund	Total
Transfers out:			
General Fund	\$	21,747	21,747
Conservation Trust	\$ 17,800		17,800

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

11 – PARTICIPATION IN 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. The Town is a participant in the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA operates as a common risk management and insurance program for 272 members participating in the Property and Casualty Pool and 143 members in the Workers' Compensation Pool. The Town pays an annual premium to CIRSA for its general insurance coverage and workers' compensation insurance coverage. The agreement for formation of CIRSA provides that CIRSA will be financed by member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The Town continues to carry commercial insurance for employee health and accident benefits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12 – TAX, SPENDING AND DEBT LIMITATIONS

The State Constitution, Article X, Section 20, has several limitations regarding revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. In 1995, the Town obtained voter approval to collect and retain all sales tax and non-federal grant revenues without limitation under the Section. The Town believes it is in compliance with the requirements of the Section. However, the Town has made certain interpretations of the Section's language in order to determine its compliance. The emergency reserves required under the Section and any excess revenues that have not received voter approval have been funded or restricted in the Road Fund. During the year ended December 31, 2017, the Town experienced higher revenues that were not sales tax or non-federal grant related of approximately \$20,367. The Town intends to seek voter approval in the November, 2018 election to retain those excess revenues.

TOWN OF OLATHE, COLORADO

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

13 – COMMITMENTS

The Town has entered into construction contracts for a new shop building and drainage projects that total \$1,140,836. At December 31, 2017, \$1,054,283 had been completed and paid with the remaining \$86,553 to be completed and paid in 2018.

14 – CONTINGENT LIABILITIES

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenses that could lead to reimbursement to the granter agencies. Town management is not aware of any such expenses that would not be allowed.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

General Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2017		Variance with	2016
	Original & Final Budget	Actual	Final Budget Positive (Negative)	Actual
REVENUES				
Taxes				
General property taxes	98,670	97,666	(1,004)	99,072
Specific ownership taxes	13,259	15,147	1,888	12,567
Penalty and interest on taxes	500	227	(273)	215
General sales and use taxes	282,500	261,222	(21,278)	264,852
Franchise tax equivalents	57,500	2,598	(54,902)	54,943
Occupation taxes	900	55,770	54,870	625
Severance tax	8,000	5,337	(2,663)	6,226
Total taxes	461,329	437,967	(23,362)	438,500
Licenses and permits				
General				
Business license	1,200	1,415	215	1,135
Building permits	8,100	6,832	(1,268)	6,255
Liquor license	350	345	(5)	345
Other permit fees	4,500	6,105	1,605	3,798
Planning and zoning fees	300	750	450	250
Total licenses and permits	14,450	15,447	997	11,783
Intergovernmental				
State shared revenues				
Cigarette taxes	1,200	1,158	(42)	1,168
Grants	20,000	13,000	(7,000)	7,903
Mineral lease	3,000	942	(2,058)	1,184
Total Intergovernmental	24,200	15,100	(9,100)	10,255
Miscellaneous				
Earnings on investments	100	144	44	87
Miscellaneous	4,000	949	(3,051)	9,411
Miscellaneous refunds	500		(500)	
Late charge fees	10,000		(10,000)	9,430
Administrative fees	27,372	27,372	-	20,529
Total Miscellaneous	41,972	28,465	(13,507)	39,457

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

General Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
REVENUES				
Public Safety				
Animal licenses	800	340	(460)	300
Vehicle inspection fees	600	544	(56)	480
Miscellaneous	5,200	5,735	535	2,708
Total Public Safety	6,600	6,619	19	3,488
Judicial				
Traffic fines	120,000	134,577	14,577	92,018
Other code violations	10,000	6,134	(3,866)	4,678
Miscellaneous	100		(100)	
Total Judicial	130,100	140,711	10,611	96,696
Parks				
Grants		7,570	7,570	
Miscellaneous	2,000	7,397	5,397	1,348
Park rental fees	13,500	11,910	(1,590)	11,680
Total Parks	15,500	26,877	11,377	13,028
Recreation				
Contributions	2,500	2,601	101	2,717
Grants	7,340	4,071	(3,269)	
Sponsors	5,000	1,200	(3,800)	2,200
Program fees	11,000	7,115	(3,885)	10,226
Facilities rental	6,500	4,800	(1,700)	5,250
Total Recreation	32,340	19,787	(12,553)	20,393
Community center				
Contributions	2,360	2,750	390	2,000
Community center rental	4,000	7,655	3,655	6,381
Total Community center	6,360	10,405	4,045	8,381
Total Revenues before transfers in	732,851	701,378	(31,473)	641,981
TRANSFERS IN				
Transfers from Conservation Trust for parks expenditures	20,000	17,800	(2,200)	18,000
Total General Fund revenues and transfers in	\$ 752,851	719,178	(33,673)	659,981

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

General Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
EXPENDITURES				
General government				
Current				
Salaries	\$ 45,600	45,566	34	45,456
Mayor and trustee wages	4,560	4,560	-	4,360
Employee benefits	15,746	13,883	1,863	12,917
Insurance	4,015	4,014	1	4,089
Workers' compensation	1,183	1,280	(97)	1,284
Auditing fees	2,000	2,000	-	2,190
Legal fees	12,000	5,795	6,205	9,531
Ambulance service			-	9,000
Treasurer's fees	3,000	1,989	1,011	1,991
Clerk and recorder fees	750	811	(61)	619
Dues and membership fees	3,500	3,094	406	3,267
Travel and training	2,500	4,094	(1,594)	5,330
Meals	250	531	(281)	115
Publishing	1,000	542	458	633
Publications	150	146	4	140
Postage	2,500	1,533	967	1,879
Utilities	4,000	3,471	529	3,210
Telephone	5,000	5,533	(533)	5,100
Maintenance contracts	7,548	7,548	-	7,548
Office supplies	4,500	3,029	1,471	3,137
Supplies	3,000	2,741	259	3,475
Equipment rental	5,000	4,608	392	4,137
Building & facility repairs	500	1,459	(959)	1,314
Equipment repairs	1,500	766	734	1,137
Cleaning services	1,200	1,134	66	378
Fuel and oil	500	321	179	248
Main street beautification	10,000		10,000	3,655
Miscellaneous expense	2,000	2,429	(429)	3,563
Bank fees	900	756	144	753
Donations & gifts	300	260	40	
Economic development	2,500	2,500	-	2,500
CIP grant		13,000	(13,000)	
Senior citizen assistance	1,000	1,000	-	1,000
Use tax expense	500	1,299	(799)	1,049
Election judges			-	
Election supplies			-	
Total Current	148,702	141,692	7,010	145,005
Capital Outlay				
Capital equipment			-	23,417
Total general government	148,702	141,692	7,010	168,422

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

General Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2016			2015
	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
EXPENDITURES				
Public Safety				
Current				
Salaries	203,010	203,870	(860)	170,955
Part time wages	24,000	21,783	2,217	27,584
Employee benefits	46,541	42,326	4,215	33,308
Insurance	6,021	6,021	-	6,199
Workers' compensation	4,900	4,899	1	4,553
Legal fees	1,500		1,500	1,849
Contract services	38,174	38,173	1	40,667
Animal impound fees	2,400	543	1,857	195
Travel and training	3,000	1,508	1,492	2,801
Meals	500	267	233	470
Publishing	400		400	253
Postage	100	92	8	4
Utilities	3,500	3,755	(255)	3,152
Telephone	1,700	2,312	(612)	2,159
Maintenance contracts	3,700	3,845	(145)	3,697
Office supplies	1,200	930	270	1,669
Clothing	3,000	3,296	(296)	2,042
Ammunition	2,000	1,447	553	3,171
Supplies	8,575	9,582	(1,007)	5,736
Equipment rental	1,300	1,725	(425)	1,323
Building and facility repairs	250	996	(746)	1
Equipment repairs	5,000	6,631	(1,631)	5,870
Fuel and oil	7,000	9,754	(2,754)	6,443
Miscellaneous expense	3,000	3,154	(154)	3,900
Donations & gifts	100	100	-	50
Total Current	370,871	367,009	3,862	328,051
Capital Outlay				
Capital Equipment			-	5,075
Total Capital Outlay	-	-	-	5,075
Debt Service				
Principal	17,927	16,516	1,411	17,458
Interest	1,181	2,593	(1,412)	1,650
Total Debt Service	19,108	19,109	(1)	19,108
Total Public Safety expenditures	389,979	386,118	3,861	352,234
TRANSFERS OUT				
Transfer to Police Pension Fund	22,000	21,747	253	18,121
Total Public Safety expenditures and transfers	411,979	407,865	4,114	370,355

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

General Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
EXPENDITURES				
Judicial				
Current				
Part time wages	21,000	14,982	6,018	12,102
Employee benefits	1,690	1,210	480	981
Workers compensation	338	338	-	297
Legal fees		27		
Juror fees	250		250	
Travel and training	500	613	(113)	390
Office supplies	400	390	10	176
Supplies	100		100	
Miscellaneous	100	774	(674)	
Total Judicial	24,378	18,334	6,071	13,946
Parks				
Current				
Salaries	42,420	42,697	(277)	42,768
Part time wages	33,440	35,540	(2,100)	23,257
Employee benefits	13,984	14,006	(22)	13,196
Insurance	3,211	3,211	-	3,271
Workers' compensation	1,520	1,520	-	1,582
Contract services	1,500	60	1,440	150
Dues and membership fees	120	130	(10)	120
Travel and training	300	350	(50)	200
Utilities	5,000	9,839	(4,839)	7,477
Telephone	610	615	(5)	610
Clothing	350	335	15	415
Event faciliation expense	4,000	2,756	1,244	4,245
Supplies	8,300	9,795	(1,495)	7,918
Mosquito control	200	263	(63)	55
Chemicals	5,340	4,104	1,236	2,832
Gravel	3,500	1,718	1,782	1,340
Equipment rental	5,000	6,267	(1,267)	4,820
Equipment repairs and maintenance	6,000	6,324	(324)	5,800
Building facility repairs		5,415	(5,415)	
Fuel and oil	2,500	3,180	(680)	2,360
Miscellaneous expense	1,200	1,467	(267)	1,235
Grant match			-	1,575
Water assessments	500	460	40	460
Total Current	138,995	150,052	(11,057)	125,686
Capital Outlay				
Capital Equipment	3,000		3,000	
Capital Improvements	2,000		2,000	
Total Capital Outlay	5,000	-	5,000	-
Total Parks	143,995	150,052	(6,057)	125,686

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

General Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
EXPENDITURES				
Recreation				
Current				
Wages	1,500	1,562	(62)	1,461
Part time wages	10,100	8,777	1,323	6,892
Employee benefits	1,544	1,311	233	1,052
Insurance	1,204	1,204	-	1,227
Workers' compensation	338	338	-	542
Utilities	600	733	(133)	592
Office supplies	200	61	139	114
Supplies	50	59	(9)	245
Miscellaneous expense	100	610	(510)	163
Program expense	11,180	9,198	1,982	7,857
Special event	3,700	2,433	1,267	
Total Recreation	30,516	26,286	4,230	20,145
Community Center				
Current				
Wages	1,500	1,562	(62)	1,461
Part time wages	2,902	2,902	-	2,692
Employee benefits	970	835	135	718
Insurance	1,204	1,204	-	1,227
Workers' compensation	170	169	1	149
Utilities	4,000	3,118	882	3,000
Telephone	960	1,589	(629)	721
Supplies	500	610	(110)	409
Building and facility repairs	1,000	1,229	(229)	2,208
Cleaning services	600	600	-	600
Total Community Center	13,806	13,818	(12)	13,185
Total current expenditures	727,268	717,191	10,104	646,018
Total capital outlay expenditures	5,000	-	5,000	28,492
Total debt service expenditures	19,108	19,109	(1)	19,108
Total transfers out	22,000	21,747	253	18,121
Total General Fund expenditures and transfers out	773,376	758,047	15,356	711,739
Net change in fund balances	(20,525)	(38,869)	(18,344)	(51,758)
FUND BALANCES, JANUARY 1	41,986	41,986	-	93,744
FUND BALANCES, DECEMBER 31	\$ 21,461	3,117	(18,344)	41,986

TOWN OF OLATHE, COLORADO

Budgetary comparison schedule

Road Fund

For the year ended December 31, 2017

(With comparative actual amounts for the year ended December 31, 2016)

	2017		Variance with	2016
	Original & Final Budget	Actual	Final Budget Positive (Negative)	Actual
REVENUES				
Taxes				
General sales taxes	140,000	130,611	(9,389)	131,377
Intergovernmental				
State shared revenues				
Highway users tax	50,000	51,576	1,576	49,638
Grants	1,171,062	754,225	(416,837)	31,860
County shared revenues				
Motor vehicle tax	26,000	24,343	(1,657)	20,895
Auto registrations	7,000	6,854	(146)	6,765
Grants	33,333	15,000	(18,333)	32,500
Miscellaneous				
Street Assessment Revenue	29,350	28,827	(523)	28,970
Miscellaneous	500	8,225	7,725	
Investment Income	40	72	32	44
Total Revenues	<u>1,457,285</u>	<u>1,019,733</u>	<u>(437,552)</u>	<u>302,049</u>
EXPENDITURES				
Public Works				
Salaries	91,987	89,995	1,992	91,445
Employee benefits	27,263	25,652	1,611	26,411
Insurance	7,225	7,324	(99)	7,375
Workers' compensation	2,365	2,462	(97)	2,324
Auditing Fees	2,000	2,000	-	2,190
Legal fees	500		500	517
Contract services	500	721	(221)	1,079
Travel and training	200		200	757
Meals	50		50	42
Publishing	75	57	18	36
Postage	50	123	(73)	107
Utilities	10,750	13,066	(2,316)	12,987
Telephone	1,000	1,090	(90)	1,013
Office supplies			-	38
Clothing	250	50	200	361
Supplies	5,000	10,112	(5,112)	5,885
Chemicals	750	192	558	194
Gravel	6,000	4,951	1,049	6,015
Administrative fee	6,843	6,843	-	5,132
Safety equipment	150	117	33	197
Building rent	12,250	12,250	-	14,729
Building and facility repairs		2,339	(2,339)	387
Equipment repairs and maintenance	7,000	2,589	4,411	10,306
Fuel and oil	5,500	4,578	922	3,819
Street materials	10,000	4,668	5,332	10,839
Main street beautification		15,208	(15,208)	
Street signs	750	647	103	395
Miscellaneous expense	500	1,973	(1,473)	798
Bank fees		5	(5)	
Grants - professional services	30,000	14,147	15,853	
Total Current	<u>228,958</u>	<u>223,159</u>	<u>5,799</u>	<u>205,378</u>
Capital Outlay				
Capital improvements	<u>1,261,890</u>	<u>847,600</u>	<u>414,290</u>	<u>56,742</u>
Total Capital Outlay	<u>1,261,890</u>	<u>847,600</u>	<u>414,290</u>	<u>56,742</u>
Debt Service				
Principal	4,003	10,951	(6,948)	1,957
Interest	400	1,796	(1,396)	244
Total Debt Service	<u>4,403</u>	<u>12,747</u>	<u>(8,344)</u>	<u>2,201</u>
Total Road Fund expenditures	<u>1,495,251</u>	<u>1,083,506</u>	<u>411,745</u>	<u>264,321</u>
Other financing sources				
Lease proceeds	<u>53,750</u>	<u>58,750</u>	<u>5,000</u>	<u>16,551</u>
Net change in fund balances	15,784	(5,023)	(20,807)	54,279
FUND BALANCES, JANUARY 1	<u>248,352</u>	<u>305,414</u>	<u>57,062</u>	<u>251,135</u>
FUND BALANCES, DECEMBER 31	<u><u>264,136</u></u>	<u><u>300,391</u></u>	<u><u>36,255</u></u>	<u><u>305,414</u></u>

TOWN OF OLATHE, COLORADOSchedule of Change in Net Pension (Asset) Liability
For the years ended December 31

Measurement Date (as of the previous fiscal year end)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer Portion of Net Pension Asset	0.03205707%	0.02836640%	0.02301823%	0.02325081%
Employer proportionate share of Net Pension (Asset) Liability	\$ 11,583	(500)	(25,978)	-20791
Employer Covered Payroll	\$ 200,548	137,511	103,514	100987
Employer Proportionate Share of Net Pension (Asset) Liability as a Percentage of Covered Payroll	5.78%	-0.36%	-25.10%	-20.59%

TOWN OF OLATHE, COLORADO
Schedule of Contributions to Pension Plan
For the year ended December 31

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
As of the previous fiscal year end				
Required Employer Contributions	16,044	11,001	8,281	8,079
Employer Contributions Recognized by Plan	<u>16,044</u>	<u>11,001</u>	<u>8,281</u>	<u>8,079</u>
Difference	-	-	-	-
Employer Covered Payroll	200,548	137,511	103,514	100,987
Contributions as a Percentage of Employer Covered Payroll	8.00%	8.00%	8.00%	8.00%

SUPPLEMENTARY INFORMATION

TOWN OF OLATHE, COLORADO
Combining Balance Sheet
Non-Major Governmental Funds
For the year ended December 31, 2017

	Special Revenue Fund Conservation Trust	Police Pension Permanent Fund	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	12,848		12,848
Certificates of Deposit	2,000	1,341	3,341
Total Assets	<u>14,848</u>	<u>1,341</u>	<u>16,189</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable			-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted for:			
Conservation trust	14,848		14,848
Police officer's retirement		1,341	1,341
Total Fund Balance	<u>14,848</u>	<u>1,341</u>	<u>16,189</u>
Total Liabilities and Fund Balance	<u>14,848</u>	<u>1,341</u>	<u>16,189</u>

TOWN OF OLATHE, COLORADO

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget

Non-Major Governmental Funds

For the year ended December 31, 2017

	Special Revenue Fund Conservation Trust		Police Pension Permanent Fund		Total Non-Major Governmental Funds	
	Actual	Budget	Actual	Budget	Actual	Budget
Revenues						
Intergovernmental						
Lottery	17,798	20,000			17,798	20,000
Miscellaneous						
Investment income	36				36	-
Total Revenues	<u>17,834</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>17,834</u>	<u>20,000</u>
Expenditures						
Current						
Public Safety			21,747	22,000	21,747	22,000
Total Expenditures	<u>-</u>	<u>-</u>	<u>21,747</u>	<u>22,000</u>	<u>21,747</u>	<u>22,000</u>
Excess of Revenues Over (Under) Expenditures	<u>17,834</u>	<u>20,000</u>	<u>(21,747)</u>	<u>(22,000)</u>	<u>(3,913)</u>	<u>(2,000)</u>
Other Financing Sources (Uses)						
Operating Transfers In (Out)	(17,800)	(20,000)	21,747	22,000	3,947	2,000
Total Other Financing Sources (Uses)	<u>(17,800)</u>	<u>(20,000)</u>	<u>21,747</u>	<u>22,000</u>	<u>3,947</u>	<u>2,000</u>
Net Change in Fund Balance	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>-</u>
Fund Balance, January 1	<u>14,848</u>	<u>14,848</u>	<u>1,341</u>	<u>1,341</u>	<u>16,189</u>	<u>16,189</u>
Fund Balance, December 31	<u>14,882</u>	<u>14,848</u>	<u>1,341</u>	<u>1,341</u>	<u>16,223</u>	<u>16,189</u>

TOWN OF OLATHE, COLORADO**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS - ACTUAL AND BUDGET
WATER FUND - BUDGET BASIS OF ACCOUNTING**For the year ended December 31, 2017 with comparative actual amounts
for the year ended December 31, 2016

	2017			2016
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>REVENUES</u>				
Charges for Services	260,000	258,220	(1,780)	254,275
Late charge fees		4,840	4,840	
Tap Fees	12,000		(12,000)	14,350
Investment Income	125	253	128	153
Grants	232,500	179,866	(52,634)	7,343
Miscellaneous	4,000	4,300	300	2,097
Lease proceeds	53,750	53,750	-	
Total Revenues	562,375	501,229	(61,146)	278,218
<u>EXPENDITURES</u>				
Operations and Maintenance				
Salaries	91,987	90,594	1,393	91,514
Employee benefits	27,263	25,653	1,610	26,411
Insurance	7,225	7,324	(99)	7,375
Workers' compensation	2,365	2,462	(97)	2,324
Auditing fees	2,000	2,000	-	2,190
Legal fees	500	2,216	(1,716)	1,944
Engineering fees	500	6,962	(6,462)	1,861
Contract services	500	623	(123)	1,049
Dues and membership fees	150		150	298
Travel and training	750	985	(235)	1,582
Publishing	125	78	47	42
Postage	1,000	818	182	753
Utilities	3,500	3,950	(450)	3,102
Telephone	1,000	866	134	848
Clothing	250	50	200	361
Supplies	10,000	3,353	6,647	12,188
Chemicals	750	192	558	194
Administrative fee	6,843	6,843	-	5,132
Safety equipment	150	86	64	123
Building rent	12,250	12,250	-	11,229
Building and facility repairs			-	253
Equipment repairs and maintenance	4,000	1,633	2,367	3,659
Other permits	250	250	-	250
Fuel and oil	5,000	4,578	422	3,728
Miscellaneous expense	750	405	345	278
Grants - professional services	10,000	20,000	(10,000)	1,469
Reservoir maintenance	500		500	90
Water usage	76,000	70,387	5,613	80,267
Water assessments	25,534	25,545	(11)	25,545
Water tank maintenance	500		500	
Total Operations and Maintenance	291,642	290,103	1,539	286,059
Capital outlay				
Capital improvements	266,250	212,440	53,810	2,500
Debt service				
Principal	4,003	4,701	(698)	1,957
Interest	400	3,046	(2,646)	247
Total debt service	4,403	7,747	(3,344)	2,204
TOTAL EXPENDITURES	562,295	510,290	52,005	290,763

TOWN OF OLATHE, COLORADO**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS - ACTUAL AND BUDGET****SEWER FUND - BUDGET BASIS OF ACCOUNTING**

For the year ended December 31, 2017 with comparative actual amounts

for the year ended December 31, 2016

	2017			2016
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Charges for services	281,500	284,371	2,871	282,010
Late charge fees		4,840	4,840	
Tap fees	13,400	3,754	(9,646)	6,839
Pump station surcharge	5,200	5,202	2	5,200
Investment income	60	108	48	66
Miscellaneous revenues	3,000	1,116	(1,884)	1,024
Grants	251,500	200,176	(51,324)	
Lease proceeds	53,750	53,750	-	
Total Revenues	608,410	553,317	(55,093)	295,139
EXPENDITURES				
Operations and Maintenance				
Salaries	91,987	90,594	1,393	91,514
Employee Benefits	27,263	25,653	1,610	26,411
Insurance	7,225	7,324	(99)	7,375
Workers' compensation	2,365	2,462	(97)	2,324
Auditing fees	2,000	2,000	-	2,190
Legal fees	1,000		1,000	1,045
Engineering fees	1,000		1,000	
Contract services	5,000	4,706	294	4,485
Dues and membership fees	150	170	(20)	85
Travel and training	800	1,374	(574)	552
Publishing	75	57	18	
Postage	500	750	(250)	542
Utilities	28,000	31,336	(3,336)	26,886
Telephone	2,500	2,635	(135)	2,695
Clothing	250	50	200	361
Supplies	3,000	8,734	(5,734)	2,477
Chemicals	1,000	192	808	194
Administrative fee	6,843	6,843	-	5,132
Safety equipment	150	57	93	83
Building rent	12,250	12,250	-	11,229
Building repairs and maintenance	250		250	253
Equipment repairs and maintenance	6,000	18,548	(12,548)	2,590
Other permits	2,200	2,195	5	2,195
Fuel and oil	5,000	4,497	503	3,668
Miscellaneous expense	500	367	133	277
Grant - professional services	20,000	22,310	(2,310)	3,336
Water assessments	1,025	1,116	(91)	1,024
Total Operations and Maintenance	228,333	246,220	(17,887)	198,923
Capital outlay				
Capital improvements	289,250	212,440	76,810	2,500
Total capital outlay	289,250	212,440	76,810	2,500
Debt Service				
Principal	28,883	30,050	(1,167)	26,202
Interest	61,064	63,148	(2,084)	61,370
Total debt service	89,947	93,198	(3,251)	87,572
TOTAL EXPENDITURES	607,530	551,858	55,672	288,995

TOWN OF OLATHE, COLORADO**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS - ACTUAL AND BUDGET****TRASH FUND - BUDGET BASIS OF ACCOUNTING**

For the year ended December 31, 2017 with comparative actual amounts

for the year ended December 31, 2016

	2017		2016	
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>REVENUES</u>				
Charges for services	186,000	189,915	3,915	185,885
Investment income	60	108	48	66
Miscellaneous revenues	500		(500)	270
Grants	212,500	159,866	(52,634)	
Lease proceeds	53,750	53,750	-	
Total Revenues	452,810	190,023	3,463	186,221
<u>EXPENDITURES</u>				
Operations and maintenance				
Salaries	53,057	52,216	841	51,165
Employee benefits	15,440	14,351	1,089	14,653
Insurance	2,810	2,909	(99)	2,862
Workers' compensation	1,351	1,449	(98)	1,188
Auditing fees	2,000	2,000	-	2,190
Legal fees	500		500	708
Contract services	750	454	296	958
Publishing		57	(57)	
Postage	1,000	818	182	575
Utilities	2,000	2,527	(527)	1,507
Telephone	1,000	866	134	1,093
Clothing	250	50	200	338
Supplies	7,000	4,435	2,565	7,230
Administrative fee	6,843	6,843	-	5,132
Safety equipment	150		150	83
Building rent	5,250	5,250	-	4,813
Building repairs and maintenance	150		150	253
Equipment repairs and maintenance	6,000	9,340	(3,340)	3,811
Fuel and oil	5,000	4,419	581	3,830
Miscellaneous expense	250	317	(67)	528
Dumping fees	45,500	47,902	(2,402)	45,646
Total Operations and maintenance	156,301	156,203	98	148,563
Capital outlay				
Capital improvements	266,250	212,440	53,810	
Total capital outlay	266,250	212,440	53,810	-
Debt Service				
Principal	25,744	26,770	(1,026)	33,350
Interest	517	3,209	(2,692)	1,679
Total Debt Service	26,261	29,979	(3,718)	35,029
TOTAL EXPENDITURES	448,812	398,622	(3,620)	183,592

LOCAL HIGHWAY FINANCE REPORT

ANNUAL HIGHWAY FINANCE REPORT - CY17

Email address: pgabriel@olatheco.us

City/County: Olathe

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	\$	0.00
3. Other local imposts: <i>from A.3. Total below</i>	\$	185,778.00
4. Miscellaneous local receipts: <i>from A.4. Total below</i>	\$	98,247.00
5. Transfers from toll facilities	\$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	0.00
b. Bonds - Refunding Issues:	\$	0.00
c. Notes:	\$	0.00

SubTotal: \$ 284,025.00

B. Private Contributions \$ 0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	\$	0.00
b. Other Local Imposts		
1. Sales Taxes:	\$	157,011.00
2. Infrastructure and Impact Fees:	\$	28,767.00
3. Liens:	\$	0.00
4. Licenses:	\$	0.00
5. Specific Ownership and/or Other:	\$	0.00

Total: *(a + b) carried to 'Other local imposts' above* \$ 185,778.00

A.4. Miscellaneous local receipts

Please no commas or dollar signs for the input

a. Interest on Investments:	\$	72.00
b. Traffic fines & Penalties:	\$	0.00
c. Parking Garage Fees:	\$	0.00
d. Parking Meter Fees:	\$	0.00
e. Sale of Surplus Property:	\$	0.00
f. Charges for Services:	\$	0.00
g. Other Misc. Receipts:	\$	98,175.00
h. Other:	\$	0.00

Total: (a through h) carried to 'Misc local receipts' above \$ 98,247.00

C. Receipts from State Government

Please no commas or dollar signs for the input

1. Highway User Taxes:	\$	51,427.00
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	6,854.00
d. Other (Specify):		
Comments: DOLA GRANTS	\$	587,320.00
e. Other (Specify):		
Comments: CDOT - TAP GRANT	\$	168,480.00

Total: (1+3c,d,e) \$ 814,081.00

D. Receipts from Federal Government

Please no commas or dollar signs for the input

2. Other Federal Agencies

a. Forest Service:	\$	0.00
b. FEMA:	\$	0.00
c. HUD:	\$	0.00
d. Federal Transit Administration:	\$	0.00
e. U.S. Corp of Engineers	\$	0.00
f. Other Federal:	\$	0.00

Total: (2a-f) \$ 0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: <i>(from A.1.d. 'Total Capital Outlay' below)</i>	\$	636,168.00
2. Maintenance:	\$	383,219.00
3. Road and street services		
a. Traffic control operations:	\$	24,647.00
b. Snow and ice removal:	\$	18,257.00
c. Other:	\$	0.00
4. General administration & miscellaneous	\$	74,489.00
5. Highway law enforcement and safety	\$	2,739.00

Total: (A.1-5) \$ 1,139,519.00

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds		
a. Interest	\$	0.00
b. Redemption	\$	0.00
2. Notes		
a. Interest	\$	0.00
b. Redemption	\$	0.00

SubTotal: (1+2) \$ 0.00

Please no commas or dollar signs for the input

C. Payments to State for Highways: \$ 0.00

D. Payments to Toll Facilities: \$ 0.00

Total Disbursements: (A+B+C+D) \$ 1,139,519.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)

Please no commas or dollar signs for the input

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00
3. System Preservation:	\$ 0.00	\$ 0.00	\$ 0.00
4. System Enhancement:	\$ 0.00	\$ 636,168.00	\$ 636,168.00
5. Total Construction:			\$ 636,168.00
d. Total Capital Outlay: <i>(Lines A.1.a. + 1.b. + 1.c.5)</i>			\$ 636,168.00

IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1. Bonds (Refunding Portion)		\$ 0.00	\$ 0.00	\$ 0.00
B. Notes (Total):	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C.Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 225,864.00	\$ 1,098,106.00	\$ 1,139,519.00	\$ 184,451.00	\$ 0.00

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

KELLY NEAL SCATES, CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

PO Box 249
Delta, Colorado 81416
Telephone 970-874-8641
Facsimile 970-874-8642
e-mail knscales@aol.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Board of Trustees
Town of Olathe, Colorado
Olathe, Colorado 81425

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Olathe, Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Olathe, Colorado's basic financial statements, and have issued my report thereon dated July 23, 2018.

Internal Control over Financial Reporting

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

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

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

KELLY NEAL SCATES, CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

Honorable Mayor and Town Board of Trustees
Town of Olathe, Colorado
Olathe, Colorado 81425
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Olathe, Colorado's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-1.

Town of Olathe, Colorado's Response to Findings

The Town of Olathe, Colorado's response to the findings in my audit is described in the accompanying schedule of findings and questioned costs. The Town of Olathe, Colorado's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Kelly Neal Scates, CPA, PC

Delta, Colorado
July 23, 2018.

TOWN OF OLATHE, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

2017-1 – Noncompliance with Sewer Rate Maintenance covenant

Condition and criteria:

The Town's Sewer Revenue Bonds, Series 2004, requires the Town to create gross revenue each fiscal year sufficient to pay operation and maintenance expenses and to create net revenue in amount;(i) equal to not less than 100% of the amount necessary to pay when due the principal and interest of the bonds coming due during such fiscal year and (ii) sufficient to make up any deficiencies in the reserve account.

Effect:

Revenues were insufficient to meet this covenant for the year ended December 31, 2017 by approximately \$10,063 which requires an increase in rates charged.

Population and items tested:

Not applicable.

Cause:

Increase in supplies and repairs and maintenance costs.

Recommendation:

Rates charged should be increased per the bond covenant requirements.

Auditee Response:

We concur, procedures have been implemented to address the situation and the situation has been resolved with the increase of sewer rates.

TOWN OF OLATHE, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2017

Finding 2016-1
Status: Corrected