



TOWN OF PALISADE, COLORADO

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017



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Office of the State Auditor

June 28, 2018

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**INDEPENDENT AUDITOR'S REPORT**

May 29, 2018

Board of Trustees
Town of Palisade, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palisade, 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, and pension information on pages 4-11 and 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Palisade's basic financial statements. The non-major governmental fund combining statements, the Capital Improvement, Tourism, Conservation Trust, Palisade Rural Fire Protection District, Water and Utility Funds budgetary schedules, and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The combining statements and budgetary schedules for the aforementioned funds and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Management's Discussion and Analysis

As Town of Palisade Management, we offer readers of the Town of Palisade financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2017.

Financial Highlights

- The Town of Palisade's assets and deferred outflows of resources of \$30.1 million exceeded Town liabilities and deferred inflows of resources of \$6 million by \$24.1 million as of December 31, 2017. Of this amount, \$6.4 million is unrestricted, \$17.6 million is invested in capital assets such as land and improvements, buildings, vehicles, furniture and equipment and \$124,699 is held for emergencies in compliance with Article X of the Colorado State Constitution.
- Total revenue for the Town decreased 5.7% in 2017 mainly from a capital grant for the purchase of land in 2016. Operating expenses decreased by 39.7% in 2017 mainly from an impairment loss of \$3,603,033 in 2016. This resulted in an increase in the Town's net position of \$774,632 in 2017.
- During 2017 the Town increased current assets by \$184,100 and reduced long term liabilities by \$240,685, both of which contributed positively to the Town's net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Palisade's basic financial statements, which are comprised of government-wide financial statements, governmental funds financial statements, proprietary fund financial statements, fiduciary fund financial statements and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in the Town's 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 over the past year. All changes in the Town's net position are reported when an "event" causing a change occurs, regardless of when related cash flows actually take place. As a result, some revenues and expenses, reported in this statement, will result in cash flows in future financial periods. Examples include grants, not yet reimbursed or vacation leave earned, but not used.

Both of the government-wide financial statements distinguish activities of the Town of Palisade that are primarily supported by taxes and state or federal monies (intergovernmental activities) from activities that are intended to be funded primarily from user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works and parks, culture and recreation and cemetery. The business-type activities of the Town include water, sewer, and refuse.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been set aside for specific activities or purposes. The Town of Palisade uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be categorized into two fund types: governmental and proprietary.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, governmental fund financial statements focus on near-term flows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is helpful in evaluating the Town's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, as readers may better understand the impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town of Palisade maintains five governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance for the *General Fund* which is considered to be a major fund.

Proprietary Funds. The Town of Palisade maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for water, sewer and refuse activities. The enterprise funds financial statements provide separate information for the water and sewer and refuse funds, which are considered to be major funds of the Town.

Budgetary Comparisons. The Town of Palisade adopts an annual appropriated budget for all of its funds. Budget to actual comparisons for each fund are provided elsewhere in this report.

Notes to the Financial Statements. These notes provide additional information that is necessary in gaining a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

Net Position. Net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24.1 million. The Town's net position as of December 31, 2016 was \$23.4 million.

The following table provides a summary of the Town's governmental and business-type net position as of December 31, 2017 with comparison to December 31, 2016.

	Net Position				
	Governmental		Business-Type		
	Activities		Activities		Total
	2016	2017	2016	2017	2017
Assets					
Current Assets	\$2,714,677	\$3,302,039	\$3,871,944	\$3,468,682	\$6,770,721
Capital Assets	9,127,162	8,971,659	13,074,810	13,541,859	22,513,518
Net Pension Asset	507,433	508,151	-	-	508,151
Total Assets	12,349,272	12,781,849	16,946,754	17,010,541	29,792,390
Deferred Outflows of Resources	297,484	344,800	-	-	344,800
Total Assets and Deferred Outflows Of Resources	12,646,756	13,126,649	16,946,754	17,010,541	30,137,190
Liabilities					
Current Liabilities	363,389	373,741	456,455	450,666	824,407
Long-Term Liabilities	10,500	37,221	4,910,781	4,643,375	4,680,596
Total Liabilities	373,889	410,962	5,367,236	5,094,041	5,505,003
Deferred Inflows of Resources	497,951	503,121	-	-	503,121
Total Liabilities and Deferred Inflows of Resources	871,840	914,083	5,367,236	5,094,041	6,008,124
Net Position					
Net Investment in					
Capital Assets	9,105,784	8,961,159	7,954,576	8,633,539	17,594,698
Restricted for Emergencies	141,068	124,699	-	-	124,699
Unrestricted	2,528,065	3,126,708	3,624,942	3,282,961	6,409,669
Total Net Position	\$11,774,916	\$12,212,566	\$11,579,518	\$11,916,500	\$24,129,066

The Town of Palisade's assets and deferred outflows of resources were 5 times the Town's total liabilities and deferred inflows of resources at December 31, 2017. Total current assets were 8.2 times total current liabilities. The total amount of the long-term liabilities includes two water fund loans from the drinking water revolving fund disadvantaged community loan program with the Colorado Water Resources & Power Development Authority to rebuild the water treatment plant. In addition, in 2012 the Town issued \$995,000 in water revenue bonds with interest rates ranging between 2.63% and 3.00%. The bonds are special revenue obligations of the Town, payable from the net pledged water revenues derived from the Town's Water Activity Enterprise. These bonds were used to pay off two existing water fund loans with interest rates of 4.00%.

Approximately 73.0% of the Town's net position is invested in capital assets that are being used in the operation of the Town and infrastructure assets that are provided and maintained by the Town. Infrastructure assets completed before January 1, 2004, and still in place, are not included in net position. In prior years capital assets for non-proprietary funds were only shown on the combined balance sheet as the "general fixed assets" account group. These assets were not included with other assets in governmental fund type funds.

Changes in Net Position. Governmental and business-type activities increased the Town's net position by \$774,632 in 2017. The following table indicates the changes in net position for governmental and business-type activities for 2016 and 2017.

	Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues						
Charges for Services	\$711,497	\$1,142,996	\$1,697,207	\$1,704,841	\$2,408,704	\$2,847,837
Operating Grants and Contributions	97,069	42,091	-	-	97,069	42,091
Capital Grants and Contributions	1,419,515	332,069	79,105	231,085	1,498,620	563,154
General Revenues						
Property Taxes	493,754	490,887	-	-	493,754	490,887
Other Taxes	1,974,513	2,116,771	-	-	1,974,513	2,116,771
Other Revenue	5,902	31,827	18,457	33,233	24,359	65,060
Total Revenues	4,702,250	4,156,641	1,794,769	1,969,159	6,497,019	6,125,800
Expenses						
General Government	4,706,983	1,338,926	-	-	4,706,983	1,338,926
Public Safety	1,389,718	1,424,932	-	-	1,389,718	1,424,932
Public Works	538,983	413,223	-	-	538,983	413,223
Culture & Recreation	493,163	467,612	-	-	493,163	467,612
Cemetery	41,435	74,298	-	-	41,435	74,298
Water	-	-	1,040,389	1,002,156	1,040,389	1,002,156
Sewer and Refuse	-	-	658,564	630,021	658,564	630,021
Total Expenses	7,170,282	3,718,991	1,698,953	1,632,177	8,869,235	5,351,168
Change in Net Position	(2,468,032)	437,650	95,816	336,982	(2,372,216)	774,632
Net Position						
Beginning of Year	14,242,948	11,774,916	11,483,702	11,579,518	25,726,650	23,354,434
End of Year	\$11,774,916	\$12,212,566	\$11,579,518	\$11,916,500	\$23,354,434	\$24,129,066

Total revenues for combined governmental and business-type activities decreased 5.7% for 2017 due mainly to a decrease in Governmental capital grants. Total combined revenues were made up of 56.4% direct program revenues and 43.6% general revenues.

- The major program revenues for governmental activities were as follows:
 - ❖ Charges for services and fees were 75.3% of program revenues. The sources of this revenue were: general government charges for services, fees, fines, etc. \$400,000, public safety \$241,949, public works and parks \$31,841, culture and recreation \$437,469 and cemetery \$31,737.
 - ❖ Capital grants and contributions were 21.9% of program revenues. These grants were received for general government \$75,000 and public works and parks \$257,069.
- The general revenues for governmental activities were 63.5% of total governmental revenues. The major governmental general revenue activities were as follows:
 - ❖ Property taxes were 11.8% of total revenues and, 18.6% of general revenues.
 - ❖ Sales taxes were 35.4% of total revenues and 55.7% of general revenues.
 - ❖ Other taxes were 15.5% of total revenues and 24.5% of general revenues.
- The major program revenues for business-type activities were:
 - ❖ Charges for services were 86.6% of total business-type activities revenues. Each business-type activity charges for the specific products and/or services for which the activity was established. The major revenues for 2017 were water service fees \$1,011,627 and sewer and refuse collection fees \$693,214.

The total expenses for combined governmental and business-type activities were made up of \$3,718,991 of expenses for governmental activities and \$1,632,177 of expenses for business-type activities. Of the total expenses, 69.5% were for governmental activities and 30.5% for business-type activities.

- The percentage of Town expenses for each type of governmental activity is:
 - ❖ 36.0% – General Government
 - ❖ 38.3% – Public Safety
 - ❖ 11.1% – Public Works
 - ❖ 12.6% – Culture and Recreation
 - ❖ 2.0% – Cemetery
- The percentage of total Town expenses for each business-type activity is:
 - ❖ 61.4% – Water
 - ❖ 38.6% – Sewer & Refuse Collection

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As mentioned earlier, The Town of Palisade uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of 2017, the combined ending fund balances of the Town of Palisade's governmental funds were \$2,665,167. Of this amount 89.0% is unassigned fund balance, which is available as working capital and for current

spending in accordance with the purposes of the specific funds. Of the remaining, \$76,157 is non-spendable funds, \$23,712 is restricted for park improvements, \$124,699 is restricted for emergencies and not available for new spending, \$9,137 is assigned for marketing and \$59,212 is assigned for public safety.

The Town has one major governmental fund: The General Fund.

General Fund

The fund balance of the general fund was \$2,573,735 at December 31, 2017. Of this balance, 92.2% is unassigned. Of the remaining, \$76,157, is non-spendable funds and \$124,699, is restricted for emergencies in compliance with Title-X of the Colorado constitution.

The unassigned fund balance is available for working capital and will be used for subsequent operations. Working capital is also available for immediate cash disbursements in the subsequent period.

Most of the ratios that are used in the financial analysis of business organizations provide only limited information in an analysis of a governmental type fund; however, governmental funds that are in severely bad liquidity condition can often be recognized by such an analysis. Therefore, the following items and relationships are presented for the Town of Palisade's general fund at December 31, 2017:

1. Working Capital (assets minus liabilities and deferred inflows of resources) was \$2,573,735. The general fund balance on the fund balance sheet is the fund's "working capital." However, a portion of the fund balance is restricted or non-spendable and may not be available for use as working capital. Therefore, the unassigned fund balance of \$2,372,879 is considered "working capital" as a measure of liquidity for the fund.
2. Current Ratio (current assets divided by current liabilities and deferred inflows of resources) 6.04:1
Modified Current Ratio (current assets less property tax accrual divided by current liabilities): 19.5:1
the current ratio is used, by business organizations, to display the ability to meet currently maturing obligations.

While the analysis provided above must be combined with other information in order to develop a certain conclusion as to the liquidity and the probability of continuation of financial operations by the Town of Palisade general fund, it is also obvious that the Town's general fund level of liquidity is not deficient.

Proprietary Funds. The Town's proprietary fund statement provides the same type of information found in the government-wide financial statements, but in greater detail.

As of the end of 2017, the combined ending net position of the Town of Palisade's enterprise funds was \$11,916,500. Of this amount 27.5% is unrestricted net position, which is available as working capital and for current spending.

The Town has two major enterprise funds, *the Water Fund and the Utility Fund*. The Water Fund is used to account for water activities. The Utility Fund is used to account for sewer and solid refuse activities for the Town. At December 31, 2017, the *Water Fund and the Utility Fund* had total assets, which equaled 3.3 times the total liabilities. 72.5% of the funds' net position was invested in capital assets. 27.5% of the funds' net position is unrestricted and available as working capital and to be used for subsequent operations. The Utility Fund and the Water Fund are enterprise funds with a large ratio of capital assets. These funds will often require large amounts of capital outlay. This causes special cash flow needs for these funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's budget is prepared and approved according to Colorado statutes.

The Town of Palisade's Trustees budgeted \$3,471,441 for 2017 general fund revenues.

The Town's General Fund Budget is shown below:

	Original Budget	Final Budget	Actual
Beginning Balance	\$ 142,796	\$ 142,796	\$1,928,910
Revenues and Other Financing Sources	3,484,202	3,579,041	4,204,350
Expenditures and Other Financing Uses	3,626,998	3,721,837	3,559,525
Ending Balance	\$ -	\$ -	\$2,573,735

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's capital assets at December 31, 2017 are presented in the following table. Also see Note D in the footnotes for further detail.

Capital Assets, Net of Depreciation			
December 31, 2017			
	Governmental Activities	Business-Type Activities	Total
Land	\$1,873,964	\$226,126	\$2,100,090
Water Rights	-	197,811	197,811
Construction in Progress	-	20,060	20,060
Swimming Pool/Community Center	125,571	-	125,571
Water/Sewer System	-	13,030,077	13,030,077
Building and Improvements	3,854,135	-	3,854,135
Equipment and Furniture	316,850	67,785	384,635
Infrastructure	2,801,139	-	2,801,139
Total	\$8,971,659	\$13,541,859	\$22,513,518

Government activities include a capital lease for one police vehicle leased in 2015. The present value of the minimum lease payments for this lease at December 31, 2017 is \$10,500. See Note F in the footnotes for further detail.

Business-type activities, specifically the Water Fund, currently have two notes payable and one outstanding bond issue as noted above. Debt was incurred for repair and replacement of a water line and reservoir expansion and to rebuild the water treatment plant. The total amount due at December 31, 2017 was \$4,908,319, which includes unamortized debt premiums of \$27,076. See Note E in the footnotes for further detail.

Items of Interest for 2017

- Reflecting some improvement in the western slope economy, sales tax revenues increased 9.2% in 2017. Sales taxes are the largest single source of continuing governmental revenue for the Town. Property tax revenue for the Town, including the Palisade Rural Fire Protection District, decreased 0.6% due to property market values similar to 2016.

- Capital asset additions during 2017 in governmental activities were \$302,010 mainly from the construction of a skate park and the purchase of fire and police safety equipment, both funded with grants; business-type activities additions were \$954,945, mainly for improvements to the utility system and the on-going purchase of water rights. Capital grants and contribution revenue in governmental activities were \$332,069 and \$231,085 in business-type activities for a total of \$563,154.

ECONOMIC FACTORS AND CONDITIONS

As noted above, the Town continues to pursue areas of capital expansion and economic development. With the continuation of a challenging economic environment on the western slope, revenue constraints on sales and property taxes and grant funding from State sources declining, the 2017 current operating budget focused on public safety and maintenance. The 2017 capital budget included capital projects for water and sewer system improvements. Our goal of taking care of facilities and systems, infrastructure maintenance, replacing needed equipment and developing programs for new services remains a priority. The Septic elimination capital project in the utility fund was on-going throughout 2017. The Town has had some changes in staff, but the overall number of FTE's remained close to 2016 staff levels.

The Town responded to limited tax revenue increases in 2017 by continuing to monitor expenses, pursue grant funding and delaying discretionary capital projects.

Board Direction for 2018

The Palisade Board of Trustees continues to support the town mission statement that supports opportunities for agriculture, business, recreation and protecting our diverse community and our citizen's quality of life. We continue to actively seek economic development for the Town and have started to see some improvement in 2017 and continuing into 2018.

The Town will also continue to study new options for revenue to do more aggressive street maintenance, reduce our capital improvements plan to a sustainable list and continue to seek improvements in our ability to communicate with our citizens.

Conclusion

County sales tax revenues seem to have stabilized and have increased beginning in 2017. Property tax revenues continue to experience pressure but have shown some increase in property values. The 2018 budget has been held close to the same expenditures of 2017 for these reasons. We believe sales tax and property tax revenues will show some growth in 2018 and moving forward.

The economy will be monitored carefully and the Town will stand ready to respond appropriately to deteriorating revenue scenarios or outside funding opportunities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Town of Palisade's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Palisade Trustees, P.O. Box 128, Palisade, CO 81526.

Basic Financial Statements

Town of Palisade, Colorado
STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,992,493	\$ 3,215,762	\$ 5,208,255
Property taxes receivable	496,246	-	496,246
Accounts receivable	734,445	166,817	901,262
Lodging tax receivable	2,698	-	2,698
Prepaid expenses	76,157	39,842	115,999
Inventory (at cost)	-	46,261	46,261
Total current assets	3,302,039	3,468,682	6,770,721
Capital assets			
Land	1,873,964	226,126	2,100,090
Construction in progress	-	20,060	20,060
Water rights	-	197,811	197,811
Infrastructure (net of depreciation)	2,801,138	-	2,801,138
Swimming pool (net of depreciation)	70,578	-	70,578
Community center (net of depreciation)	54,993	-	54,993
Sewer system (net of depreciation)	-	3,157,680	3,157,680
Water system (net of depreciation)	-	9,872,397	9,872,397
Buildings and improvements (net of depreciation)	3,854,135	-	3,854,135
Equipment and furniture (net of depreciation)	316,851	67,785	384,636
Net pension asset	508,151	-	508,151
Total assets	12,781,849	17,010,541	29,792,390
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	344,800	-	344,800
Total assets and deferred outflows of resources	13,126,649	17,010,541	30,137,190
LIABILITIES			
Accounts payable	40,760	69,688	110,448
Accrued expenses	61,428	15,475	76,903
Accrued interest	-	42,488	42,488
Unearned revenue	38,438	-	38,438
Compensated absences payable	222,615	58,070	280,685
Current portion long-term liabilities	10,500	264,945	275,445
Total current liabilities	373,741	450,666	824,407
Long-term liabilities due more than one year:			
Bonds, notes and capital leases payable	-	4,643,375	4,643,375
Net pension liability	37,221	-	37,221
Total liabilities	410,962	5,094,041	5,505,003
DEFERRED INFLOWS OF RESOURCES			
Property taxes	496,246	-	496,246
Deferred inflows related to pensions	6,875	-	6,875
Total deferred inflows of resources	503,121	-	503,121
Total liabilities and deferred inflows of resources	914,083	5,094,041	6,008,124
NET POSITION			
Net investment in capital assets	8,961,159	8,633,539	17,594,698
Restricted for emergencies	124,699	-	124,699
Unrestricted	3,126,708	3,282,961	6,409,669
Total net position	\$ 12,212,566	\$ 11,916,500	\$ 24,129,066

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

	Expenses	Program Revenues			Net (expense) revenue		
		Charges for Services and Fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities:							
General government	\$ 1,338,926	\$ 400,000	\$ -	\$ 75,000	\$ (863,926)		\$ (863,926)
Public safety	1,424,932	241,949	15,414	-	(1,167,569)		(1,167,569)
Public works and parks	413,223	31,841	-	257,069	(124,313)		(124,313)
Culture and recreation	467,612	437,469	26,677	-	(3,466)		(3,466)
Cemetery	74,298	31,737	-	-	(42,561)		(42,561)
Total governmental activities	3,718,991	1,142,996	42,091	332,069	(2,201,835)		(2,201,835)
Business-type Activities:							
Water	1,002,156	1,011,627	-	147,208		\$ 156,679	156,679
Sewer and refuse	630,021	693,214	-	83,877		147,070	147,070
Total business-type activities	1,632,177	1,704,841	-	231,085		303,749	303,749
Total primary government	\$ 5,351,168	\$ 2,847,837	\$ 42,091	\$ 563,154	(2,201,835)	303,749	(1,898,086)
General revenues:							
Taxes:							
Property taxes					490,887	-	490,887
Sales taxes					1,470,425	-	1,470,425
Other					646,346	-	646,346
Interest income					14,317	33,233	47,550
Miscellaneous					17,510	-	17,510
Total general revenues					2,639,485	33,233	2,672,718
Change in net position					437,650	336,982	774,632
Net position - beginning of year					11,774,916	11,579,518	23,354,434
Net position - end of year					\$ 12,212,566	\$ 11,916,500	\$ 24,129,066

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017

	General Fund	Non-major Governmental Funds	Total
Assets			
Cash and investments	\$ 1,901,450	\$ 91,043	\$ 1,992,493
Accounts receivable			
Fire, rescue and other (net of allowance)	139,523	-	139,523
Other governments	582,213	-	582,213
Franchise taxes	12,709	-	12,709
Property tax receivable	371,722	124,524	496,246
Lodging and other tax receivable	-	2,698	2,698
Due from other funds	729	-	729
Prepaid expenses	76,157	-	76,157
Total assets	3,084,503	218,265	3,302,768
Liabilities			
Accounts payable	39,180	1,580	40,760
Accrued liabilities	61,428	-	61,428
Due to other funds	-	729	729
Unearned revenue	38,438	-	38,438
Total liabilities	139,046	2,309	141,355
Deferred inflows of resources			
Property taxes	371,722	124,524	496,246
Total deferred inflows of resources	371,722	124,524	496,246
Total liabilities and deferred inflows of resources	510,768	126,833	637,601
Fund balances			
Non-spendable	76,157	-	76,157
Restricted for emergency reserve	124,699	-	124,699
Restricted for park improvements	-	23,712	23,712
Assigned for marketing	-	9,137	9,137
Assigned for public safety	-	59,212	59,212
Unassigned	2,372,879	(629)	2,372,250
Total fund balances	\$ 2,573,735	\$ 91,432	\$ 2,665,167
Total governmental fund balances (as reported above)			\$ 2,665,167
Amounts reported for governmental activities in the statement of net position are different because:			
Compensated absences reported as long-term liabilities in governmental activities are not reported in the funds.			(222,615)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			8,971,659
Net pension asset (liability) is not available soon enough to pay for the current year's expenditures and therefore is not reported in the funds			470,930
The amount by which deferred outflows of resources are greater than deferred inflows of resources related to pensions, both of which are not recorded in the funds (\$344,800 - \$6,875)			337,925
Capital leases used in governmental activities are not financial resources and are not reported in the funds.			(10,500)
Net position of governmental activities			\$ 12,212,566

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year ended December 31, 2017

	General Fund	Non-major Governmental Funds	Total
Revenues			
Taxes and special assessments	\$ 2,432,090	\$ 174,817	\$ 2,606,907
License and permits	131,201	-	131,201
Intergovernmental	351,715	26,678	378,393
Fines and forfeitures	18,517	-	18,517
Charges for services	867,367	-	867,367
Interest income	13,271	1,046	14,317
Miscellaneous	264,189	750	264,939
Total revenues	4,078,350	203,291	4,281,641
Expenditures			
Current:			
General government	1,121,571	36,429	1,158,000
Public safety	1,322,463	15,938	1,338,401
Public works and parks	540,806	-	540,806
Culture and recreation	375,270	-	375,270
Cemetery	69,259	-	69,259
Capital outlay:			
General government	26,470	-	26,470
Public safety	79,907	-	79,907
Public works and parks	11,671	70,657	82,328
Culture and recreation	342	-	342
Debt service:			
Principal and interest	11,766	-	11,766
Total expenditures	3,559,525	123,024	3,682,549
Excess of revenues over (under) expenditures	518,825	80,267	599,092
Other financing sources (uses)			
Transfers in (out)	126,000	(126,000)	-
Net change in fund balance	644,825	(45,733)	599,092
Fund balance, January 1	1,928,910	137,165	2,066,075
Fund balance, December 31	<u>\$ 2,573,735</u>	<u>\$ 91,432</u>	<u>\$ 2,665,167</u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Change in fund balance from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	599,092
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital lease proceeds and principal payments as other financing sources and expenditures, respectively. However, in the statement of net position the proceeds and principal payments increase or reduce the liability. This is the difference between capital lease proceeds and principal payments during the year (\$0 - \$10,878).		10,878
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Governmental funds do not report accrued compensated absences as part of expenditures. However, they are reported as expenses in the statement of activities. This is the amount accrued compensated absences changed in the Statement of Net Position from the prior year.		(28,086)
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Governmental funds report expenditures related to pension obligations measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas, in the statement of activities, they are measured on the full accrual basis. This is the amount of the increase in deferred outflows of resources (\$344,800 - \$297,484), the decrease in net pension asset (liability) (\$470,930 - \$507,433), and the decrease in deferred inflows of resources (\$7,331 - \$6,875).		11,269
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Governmental funds do not report capital assets and, therefore, do not report the net book value of capital assets and any gain or loss on their disposal.		(125,000)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount that capital outlays were less than depreciation in the current period (\$302,010 - \$332,513).		(30,503)
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Change in net position of governmental activities	\$	<u>437,650</u>
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The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2017

	Water Fund	Utility Fund	Total Business-type
Assets			
Cash and investments	\$ 1,430,207	\$ 1,785,555	\$ 3,215,762
Customer accounts receivable (net of allowance)	98,286	68,531	166,817
Prepaid expenses	39,668	174	39,842
Inventory (at cost)	46,261	-	46,261
Total current assets	1,614,422	1,854,260	3,468,682
Capital assets			
Land	-	226,126	226,126
Construction in progress	13,397	6,663	20,060
Water rights	197,811	-	197,811
Sewer system (net of depreciation)	-	3,157,680	3,157,680
Water system (net of depreciation)	9,872,397	-	9,872,397
Equipment and furniture (net of depreciation)	40,329	27,456	67,785
Total assets	11,738,356	5,272,185	17,010,541
Liabilities			
Accounts payable	9,538	60,150	69,688
Accrued wages	10,177	5,298	15,475
Accrued interest	42,488	-	42,488
Compensated absences	37,245	20,825	58,070
Long-term liabilities - current portion	264,945	-	264,945
Total current liabilities	364,393	86,273	450,666
Long-term liabilities	4,643,375	-	4,643,375
Total liabilities	5,007,768	86,273	5,094,041
Net Position			
Net investment in capital assets	5,215,614	3,417,925	8,633,539
Unrestricted	1,514,974	1,767,987	3,282,961
Total net position	\$ 6,730,588	\$ 5,185,912	\$ 11,916,500

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS

Year ended December 31, 2017

	Water Fund	Utility Fund	Total Business-type
Operating revenues			
Charges for service	\$ 1,011,627	\$ 693,214	\$ 1,704,841
Total operating revenues	1,011,627	693,214	1,704,841
Operating expenses			
Direct costs to provide service	554,083	465,741	1,019,824
Depreciation	323,616	164,280	487,896
Total operating expenses	877,699	630,021	1,507,720
Operating income (loss)	133,928	63,193	197,121
Nonoperating revenues (expenses)			
Grant revenue	83,007	10,000	93,007
Interest income and penalties	12,246	20,987	33,233
Tap fees	64,201	73,877	138,078
Interest expense	(124,457)	-	(124,457)
Total nonoperating revenues (expenses)	34,997	104,864	139,861
Change in net position	168,925	168,057	336,982
Net position, beginning	6,561,663	5,017,855	11,579,518
Net position, ending	\$ 6,730,588	\$ 5,185,912	\$ 11,916,500

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2017

	Water Fund	Utility Fund	Total Business-type
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Cash received from customers	\$ 991,077	\$ 694,636	\$ 1,685,713
Cash payments to employees	(244,046)	(116,920)	(360,966)
Cash payments to suppliers	(395,511)	(319,788)	(715,299)
Net cash provided (used) by operating activities	351,520	257,928	609,448
Cash flows from capital and related financing activities:			
Tap fees	64,201	73,877	138,078
Cash received from grantors for capital project	83,007	10,000	93,007
Capital asset acquisitions	(64,464)	(890,481)	(954,945)
Principal payments long-term debt	(211,914)	-	(211,914)
Interest payments on notes	(125,702)	-	(125,702)
Net cash provided (used) by capital and related financing activities	(254,872)	(806,604)	(1,061,476)
Cash flows from investing activities:			
Interest income	12,246	20,987	33,233
Net cash provided (used) by investing activities	12,246	20,987	33,233
Increase (decrease) in cash and cash equivalents	108,894	(527,689)	(418,795)
Cash and cash equivalents at beginning of year	1,321,313	2,313,244	3,634,557
Cash and cash equivalents at end of year	<u>\$ 1,430,207</u>	<u>\$ 1,785,555</u>	<u>\$ 3,215,762</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 133,928	\$ 63,193	\$ 197,121
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities			
Depreciation	323,616	164,280	487,896
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable customers	(20,550)	1,422	(19,128)
(Increase) decrease in inventory and prepaids	2,624	971	3,595
Increase (decrease) in accounts payable	(94,065)	20,064	(74,001)
Increase (decrease) in accrued wages and compensated absences	5,967	7,998	13,965
Total adjustments	217,592	194,735	412,327
Net cash provided by operating activities	<u>\$ 351,520</u>	<u>\$ 257,928</u>	<u>\$ 609,448</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Town of Palisade, Colorado, (the Town) a statutory municipality operates under a Board of Trustees-Mayor form of government. The Town provides its residents with police protection, sewer service, water service, sanitation service, fire protection, recreation, swimming pool, streets, cemetery, and parks. The Town is governed by an elected mayor and a six member Board of Trustees.

2. Reporting Entity

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

The Town's financial statements include the activities of the First Street Special Improvement District, the Palisade Downtown Improvement District, and the Palisade Rural Fire Protection District as blended component units in the General Fund and governmental activities. The Districts do not issue separate financial statements.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and user charges for support. The Town has no discretely presented *component units*.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

The Water Fund accounts for the water treatment and distribution system.

The Utility Fund accounts for the sewage treatment and collection system and refuse collection.

Additionally, the government reports the following non-major fund types:

The Tourism Special Revenue Fund accounts for lodging tax received and used for tourism based marketing of the Town.

The Conservation Trust Fund accounts for the proceeds of lottery funds received from the State of Colorado.

The Palisade Rural Fire Protection District Fund accounts for property tax received and used for fire protection provided by volunteers for the Town.

The Capital Improvement Fund accounts for grant revenues and purchase costs to create a sport shooting and educational facility.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water, sewer and refuse functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from 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 Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

5. Estimates

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

6. Risk Management

The Town is one of several local governments that are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by an intergovernmental agreement in 1982 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. CIRSA is governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. 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 one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation is provided on the straight-line method over the assets estimated useful lives, as follows:

Water distribution and collection system	10 – 60 years
Sewer collection and treatment system	10 – 50 years
Buildings and building improvements	10 – 100 years
Swimming pool	15 – 40 years
Equipment and furniture	5 – 20 years

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers investments purchased with a maturity of three months or less to be cash equivalents.

9. Receivables and Payables

The Town has no interfund loans. Balances outstanding between funds are reported as “due to/from other funds”. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Emergency service receivables are shown net of an allowance for uncollectible accounts. Property tax, Water Fund and Utility Fund accounts receivable do not have an allowance for uncollectible accounts as the receivables are considered to be fully collectible.

10. Inventory

Inventory consists of supplies and materials for the Water Fund. Inventory is recorded at cost using the first-in first-out method.

11. Compensated Absences

Full-time employees accrue twelve (12) to twenty-four (24) vacation days per year depending on years of service. Accrued and unpaid vacation earned is paid upon termination and is recognized as a current liability in all of the funds. Accrued sick leave is not accrued as it is only payable upon termination by direction of the Board of Trustees.

12. Long-term Obligations

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Seized Funds

The Town received \$15,414 in 2017 from the seizure of contraband (seized funds) under the Colorado Contraband Forfeiture Act. The act requires that seized funds be used for law enforcement activities.

14. Fund Equity and Fund Balances

The Town has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints. Note that not all of these classifications may be used in a given year.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the Town's highest level of decision making authority, the Board of Trustees, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The Town will only report a positive unassigned fund balance in the General Fund.

15. Property Taxes

Property taxes are certified by the Board of Trustees and collected by Mesa County. Property taxes are remitted to the Town by the 10th day of the month following collection. Property taxes receivable represents 2017 taxes that will be collected in 2018.

Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. Taxes are payable either in full on or before April 30 or one half on or before February 28 and the remaining half on or before June 15.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Pensions

The Town participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The Town also participates in the Palisade Volunteer Fire Department Pension Fund (PVFDP), an agent multiple-employer Public Employee Retirement System (PERS), also administered by FPPA, which represents the assets of numerous separate plans that have been pooled for investment purposes. The net pension liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the pensions have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – BUDGETS

Annual budgets are adopted for all funds, except fiduciary funds, of the Town. The Treasurer submits a proposed operating budget for the following calendar year to the Board of Trustees prior to October 15 of each year. The budget is prepared using the modified accrual basis of accounting. The operating budget includes proposed expenditures/expenses and the anticipated revenues. As required by statute, public hearings are conducted to obtain citizen's comments. Prior to the levy of property tax, the budget is legally adopted through the passage of a budget adoption and appropriation resolution no later than December 31. One supplemental appropriation was made during 2017 increasing appropriations in the General Fund, Conservation Trust Fund, and Utility Fund by \$94,839, \$11,000, and \$277,826, respectively.

NOTE C – CASH 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 be at least equal to 102% of the uninsured deposits. At December 31, 2017, the Town's cash deposits had a bank balance of \$908,206 of which \$250,000 was covered by federal depository insurance and \$658,206 was collateralized.

At December 31, 2017 the Town's cash and cash equivalents consisted of the following:

Cash on hand	\$ 3,400
Demand accounts	897,587
Total cash and equivalents	<u>\$ 900,987</u>

Colorado state statutes authorize the Town to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the Town in its name, or in custody of a third party on behalf of the local government.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C – CASH AND INVESTMENTS – CONTINUED

The Town has adopted Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure (GASB 40). GASB 40 establishes and modifies disclosure requirements related to investment risks including credit risk, custodial risk, interest rate risk and foreign currency risk.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The Town's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposits Protection Act and are therefore not deemed to be exposed to custodial credit risk. The Town's investments are not deemed to be exposed to custodial credit risk because they are held by the Town or by the Town's custody agent in the Town's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Town also places money in public entity cash investment pools authorized by Colorado statutes. On December 31, 2017 the Town had \$2,862,380 and \$1,444,888, respectively, invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and C-SAFE, investment vehicles established for local government entities in Colorado to pool surplus funds. COLOTRUST and C-SAFE consist of U.S. Treasury notes, U.S. Government Agency Securities, repurchase agreements collateralized by U.S. Treasury securities, and Commercial Paper. Designated custodial banks provide safekeeping and depository services to COLOTRUST and C-SAFE in connection with the direct investment and withdrawal functions of COLOTRUST and C-SAFE. Substantially all securities owned by COLOTRUST and C-SAFE are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian's internal records identify the investments owned by COLOTRUST and C-SAFE.

The State of Colorado's Division of Securities is responsible for regulatory oversight for these pools. These pools are not required to and are not registered with the SEC. COLOTRUST funds carry a Standard & Poors AAAm rating. C-SAFE is also rated AAAm by Standard and Poors.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C – CASH AND INVESTMENTS – CONTINUED

COLOTRUST and C-SAFE each operate like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair market value. The underlying investments held by C-SAFE, and the Town's investment in CSAFE, are valued at amortized cost which approximates fair value. There are no limitations on withdrawals.

At December 31, 2017 the Town's investments consisted of the following:

COLOTRUST	\$2,862,380
C-SAFE	<u>1,444,888</u>
Total investments	<u>\$4,307,268</u>

Reconciliation of cash and investments to statement of net position:

Cash and cash equivalents	\$ 900,987
Investments	<u>4,307,268</u>
Total cash and investments	<u>\$5,208,255</u>

NOTE D – CAPITAL ASSETS

The following is a summary of activity in the capital assets for the year ended December 31, 2017:

<i>Governmental activities:</i>	<u>Beginning 01/01/17</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance 12/31/17</u>
Capital assets not being depreciated				
Land	\$ 1,998,964	\$ -	\$ (125,000)	\$ 1,873,964
Total capital assets not being depreciated	<u>1,998,964</u>	<u>-</u>	<u>-</u>	<u>1,873,964</u>
Capital assets being depreciated				
Infrastructure	3,693,656	208,200	(5,247)	3,896,609
Swimming pool	517,939	-	-	517,939
Community Center	649,645	-	-	649,645
Buildings and improvements	8,917,438	-	-	8,917,438
Equipment and furniture	<u>1,549,270</u>	<u>93,810</u>	<u>(34,987)</u>	<u>1,608,093</u>
Total capital assets being depreciated	15,327,948	302,010	(40,234)	15,589,724
Less accumulated depreciation				
Infrastructure	962,184	138,533	(5,247)	1,095,470
Swimming pool	435,122	12,239	-	447,361
Community Center	572,997	21,655	-	594,652
Buildings and improvements	4,961,612	101,691	-	5,063,303
Equipment and furniture	<u>1,267,835</u>	<u>58,395</u>	<u>(34,987)</u>	<u>1,291,243</u>
Total accumulated depreciation	<u>8,199,750</u>	<u>332,513</u>	<u>(40,234)</u>	<u>8,492,029</u>
Total capital assets being depreciated, net	<u>7,128,198</u>	<u>(30,503)</u>	<u>-</u>	<u>7,097,695</u>
Governmental activities capital assets, net	<u>\$ 9,127,162</u>	<u>\$ (30,503)</u>	<u>\$ (125,000)</u>	<u>\$ 8,971,659</u>

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D – CAPITAL ASSETS – CONTINUED

<i>Business-type activities:</i>	<u>Beginning 01/01/17</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance 12/31/17</u>
Capital assets not being depreciated				
Land	\$ 226,126	\$ -	\$ -	\$ 226,126
Water rights	162,452	35,359	-	197,811
Construction in progress	<u>25,059</u>	<u>13,397</u>	<u>(18,396)</u>	<u>20,060</u>
Total capital assets not being depreciated	413,637	48,756	(18,396)	443,997
Capital assets being depreciated				
Water system	16,651,377	15,708	-	16,667,085
Utility system	4,617,836	908,877	-	5,526,713
Equipment and furniture – Utility	327,463	-	-	327,463
Equipment and furniture – Water	<u>354,956</u>	<u>-</u>	<u>-</u>	<u>354,956</u>
Total capital assets being depreciated	21,951,632	924,585	-	22,876,217
Less accumulated depreciation				
Water system	6,483,306	311,382	-	6,794,688
Utility system	2,210,911	158,122	-	2,369,033
Equipment and furniture – Utility	293,848	6,158	-	300,006
Equipment and furniture – Water	<u>302,394</u>	<u>12,234</u>	<u>-</u>	<u>314,628</u>
Total accumulated depreciation	<u>9,290,459</u>	<u>487,896</u>	<u>-</u>	<u>9,778,355</u>
Total capital assets being depreciated, net	<u>12,661,173</u>	<u>436,689</u>	<u>-</u>	<u>13,097,862</u>
Business-type activities capital assets, net	<u>\$ 13,074,810</u>	<u>\$ 485,445</u>	<u>\$ (18,396)</u>	<u>\$ 13,541,859</u>

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

<i>Governmental activities:</i>	
General government	\$ 63,600
Public safety	81,177
Public works and parks	4,377
Recreation and culture	90,374
Cemetery	1,515
Infrastructure	<u>91,470</u>
Total depreciation expense-governmental activities	<u>\$ 332,513</u>

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D – CAPITAL ASSETS – CONTINUED

Business-type activities:

Water utility	\$ 323,616
Sewer utility	164,280
Total depreciation expense-business-type activities	<u>\$ 487,896</u>

NOTE E – LONG-TERM DEBT

In 2006, the Town borrowed \$2,000,000 from the Colorado Water Resources and Power Development Authority Revolving Loan Fund as part of its disadvantaged Communities Program. The Note is interest free and requires annual payments of \$66,667 through 2036. The Town pledged Water revenues as collateral on this debt.

The following is a summary of note principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 66,667	\$ –	\$ 66,667
2019	66,667	–	66,667
2020	66,667	–	66,667
2021	66,667	–	66,667
2022	66,667	–	66,667
2023-2027	333,333	–	333,333
2028-2032	333,333	–	333,333
2033-2036	266,666	–	266,666
Total	<u>\$ 1,266,667</u>	<u>\$ –</u>	<u>\$ 1,266,667</u>

In 2006, the Town borrowed \$3,976,045 from the Colorado Water Resources and Power Development Authority Revolving Loan Fund. The note has an interest rate of 3.47% with annual payments due through 2028. The Town pledged Water revenues as collateral on this debt.

The following is a summary of note principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 148,278	\$ 64,362	\$ 212,640
2019	148,278	61,259	209,537
2020	153,770	57,987	211,757
2021	197,704	54,489	252,193
2022	208,687	48,552	257,239
2023-2027	1,438,846	145,966	1,584,812
2028	324,013	7,887	331,900
Total	<u>\$ 2,619,576</u>	<u>\$ 440,502</u>	<u>\$ 3,060,078</u>

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E – LONG-TERM DEBT – CONTINUED

In 2012, the Town issued \$995,000 in water revenue bonds with interest rates ranging between 2.63% and 3.0%. The bonds are special revenue obligations of the Town, payable out of the net pledged water revenues derived from the Town's Water Activity Enterprise. The bonds constitute an irrevocable, non-exclusive first lien on the net pledged water revenues.

The following is a summary of revenue bonds principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,000	\$ 29,006	\$ 79,006
2019	50,000	27,506	77,506
2020	50,000	26,006	76,006
2021	60,000	24,506	84,506
2022	75,000	22,706	97,706
2023-2027	200,000	88,725	288,725
2028-2030	510,000	37,200	547,200
Total	<u>\$ 995,000</u>	<u>\$ 255,655</u>	<u>\$ 1,250,655</u>

Changes in long-term obligations for the year ended December 31, 2017 are as follows:

	<u>Beginning 01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>
<i>Governmental Activities:</i>				
Lease payable	<u>\$ 21,378</u>	<u>\$ —</u>	<u>\$ (10,878)</u>	<u>\$ 10,500</u>
<i>Business-type Activities</i>				
Notes payable	\$ 4,095,696	\$ —	\$ (209,453)	\$ 3,886,243
Bonds payable	995,000	—	—	995,000
Notes premium	<u>29,538</u>	<u>—</u>	<u>(2,462)</u>	<u>27,076</u>
Total Business-type Activities	<u>\$ 5,120,234</u>	<u>\$ —</u>	<u>\$ (211,915)</u>	<u>\$ 4,908,319</u>

NOTE F – LEASES

The Town leased a police vehicle in 2015. For financial reporting purposes, minimum lease rentals relating to the vehicle have been capitalized. The 2015 lease has an interest rate of 5.097% and requires monthly payments of \$980 through November 2, 2018. At the end of the lease term, ownership of the police vehicle will transfer to the Town. Amortization expense on the lease has been included in depreciation expense.

The following is a schedule of leased property under capital leases:

	<u>2017</u>
Equipment and furniture	\$ 22,001

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – LEASES – CONTINUED

Future minimum lease payments under the capital leases for the years following December 31, 2017 together with the present value of the net minimum lease payments are as follows:

<u>Year</u>	<u>Total Leases</u>
2018	\$ 10,785
Total minimum lease payments	10,785
Less amount representing interest	(285)
Present value of minimum lease payments	<u>\$ 10,500</u>

The Town entered a 10-year operating lease for solar panels for the water treatment facility. The lease requires monthly payments of \$1,812 beginning in June of 2013. The monthly payments are offset by solar credits the Town receives for using the solar panels. Total lease expense under this lease during 2016 was \$23,097, which was offset by \$13,571 in solar credits.

Future minimum lease payments under the operating lease for the years following December 31, 2017, without regard to future solar credits, are as follows:

<u>Year</u>	
2018	\$ 21,744
2019	21,744
2020	21,744
2021	21,744
2022	21,744
2023	8,912
Total	<u>\$ 117,632</u>

On January 14, 2015, the town entered into a 4-year operating lease for a copier. The lease requires monthly payments of \$496 beginning in February of 2015.

Future minimum lease payments under the operating lease for the years following December 31, 2017 are as follows:

<u>Year</u>	
2018	\$ 5,952
2019	496
Total	<u>\$ 6,448</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION

General Information about the Pension Plan

Plan Description. The Town contributes to the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Association. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by the Colorado Fire and Police Pension Association. This is a non-contributory plan. All full-time, paid police officers/firefighters of the Town are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provision to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Benefits Provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. The annual normal retirement benefit is 2 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 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

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.

Contributions. The SWDB 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 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 and their employers are contributing 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 beginning in 2015.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

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 re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry 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 re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 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 election, 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.

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the SWDB. Employer contributions recognized by the SWDB from the Town were \$43,919 for the year ended December 31, 2017.

Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2017, the Town reported a liability of \$37,221, for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2016, and the collective total pension liability used to calculate the net pension liability/(asset) is based upon an actuarial valuation as of January 1, 2017. The collective total pension liability as of December 31, 2015 is based upon an actuarial valuation as of January 1, 2016. The Town proportion of the net pension liability/(asset) was based on the Town's contributions to the SWDB for the calendar year 2016 relative to the total contributions of participating employers to the SWDB.

At December 31, 2016, the Town's proportion was .10301%, which was a decrease of .00986 from its proportion measured as of December 31, 2015.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

For the year ended December 31, 2017, the Town recognized pension expense of \$58,967. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 33,234	\$ 1,893
Net difference between projected and actual earnings on pension plan investments	100,469	–
Changes of assumptions or other inputs	25,425	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	17,933	4,982
Contributions subsequent to the measurement date	43,919	–
Total	<u>\$ 220,980</u>	<u>\$ 6,875</u>

\$43,919 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	39,917
2019	39,917
2020	37,625
2021	16,239
2022	8,307
Thereafter	28,181

Actuarial Assumptions. 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 valuations used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected Salary Increases*	4.0% - 14%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

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

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's proportionate share of the net pension liability/(asset)	\$316,695	\$37,221	\$(194,895)

Pension Plan Fiduciary Net Position. Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at http://www.fppaco.org/toc_frames.html.

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION**General Information about the Pension Plan**

Plan Description. The Town contributes to the Palisade Volunteer Fire Department Pension Fund (PVFDP), an agent multiple-employer Public Employee Retirement System (PERS) administered by the Fire & Police Pension Association (FPPA). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>. For the measurement period ending December 31, 2016, the PVFDP included membership of 14 retirees and beneficiaries, 3 inactive, non-retired members, and 42 active members for a total of 59 members.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Benefits Provided.

Normal Retirement

A member is eligible for a normal retirement pension once the member has completed twenty years of credited service and has attained the age of 50. The monthly regular retirement benefit is \$300. A supplemental monthly pension payment to a volunteer who has attained the age of 50 years and who has been in active service in excess of 20 years can receive an extended service amount up to 5% of the monthly pension amount per additional year of service. The amount cannot exceed a maximum of ten additional years.

Vested Retirement

A member with 10 or more but less than 20 years of service is eligible to receive a benefit of \$15 per month times the number of vesting years.

Disability Retirement Benefit

A member is eligible for short and long term disability for injuries in the line of duty. Short term payments of \$150 per month last for a maximum of one year. Long term disability is a lifetime amount after one year of service of \$300 per month.

Survivor Benefits

Survivor benefits are available at one-half of the amount of the normal retirement pension, or \$150 per month. This amount is available to a survivor following death after normal retirement, following death in the line of duty as a volunteer firefighter before retirement eligible, and following death after disability retirement. An additional amount of \$7.50 per month is available following death after normal retirement with extended service amount per year of service and following death after vested retirement with 10 to 20 years of service per year of service. Survivors may include spouse, child under 18 years of age, or dependent parent. This annuity shall cease if the surviving spouse or dependent parent remarries and dissolution of a subsequent marriage does not reinstate the annuity.

Whenever the pension board increases the retirement pension payable to volunteer firefighters, that increase will also be applied to the pension benefits of survivors of firefighters killed in the line of duty.

Funeral Benefits

A one-time funeral benefit is paid of \$100 in the event of a death of a member.

Contributions. The Town contributes from proceeds of a property tax mill levy. The Plan is construed and enforced in accordance with Colorado Revised Statute Title 31, Article 30. Per CRS 31-30-1112, State contributions to any municipality or district must equal ninety percent of all amounts contributed by the municipality or district under section 31-30-1110 in the previous year, but, notwithstanding any other provision of this part 11, the state contribution shall not exceed one-half mill on the previous net valuation for assessment of the municipality or district assuming one hundred percent collection. For 2017 the Town contributed \$17,804 and the state's matching contribution was \$18,379.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**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/(asset) of \$(508,151). The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2017, the Town recognized pension expense of \$(8,513). At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 46,162	\$ –
Changes of assumptions or other inputs	10,949	–
Net difference between projected and actual earnings on pension plan investments	48,905	–
Contributions subsequent to the measurement date	17,804	–
Total	<u>\$ 123,820</u>	<u>\$ –</u>

\$17,804 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	30,531
2019	30,531
2020	27,653
2021	12,410
2022	4,891

Actuarial Assumptions. Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017. The valuation used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	20 Years*
Asset Valuation Method	5-Year Smoothed fair value
Inflation	3.0%
Investment Rate of Return	7.5%

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Projected Salary Increases	N/A
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA

** Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.*

The assumptions shown above pertain to the actuarial valuation as of January 1, 2015 and the associated Actuarially Determined Contribution for the year ending December 31, 2016. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 volunteer valuations. The primary changes, which can be observed in the January 1 2017 valuation, as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

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 which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are summarized in the following table:

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	0.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash	2.0%	0.00%*
Total	100.00%	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability/(asset)	\$(446,134)	\$(508,151)	\$(557,867)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios Current Period – Measurement Period Ended December 31, 2016**

A. Total pension liability	
1. Service Cost	\$ 16,840
2. Interest on the Total Pension Liability	29,667
3. Difference between expected and actual experience of the Total Pension Liability	34,342
4. Changes of assumptions	13,344
5. Benefit payments	<u>(36,926)</u>
6. Net change in total pension liability	57,267
7. Total pension liability – beginning	<u>405,419</u>
8. Total pension liability – ending	<u>\$ 462,686</u>
B. Plan fiduciary net position	
1. Contributions – employer	\$ 30,597
2. Net investment income	49,455
3. Benefit payments	(36,926)
4. Pension plan administrative expense	(1,728)
5. State of Colorado supplemental discretionary payment	<u>18,577</u>
6. Net change in plan fiduciary net position	59,975
7. Plan fiduciary net position – beginning (Market value of assets at beginning of year)	<u>910,862</u>
8. Plan fiduciary net position – ending (Market value of assets at end of year)	<u>\$ 970,837</u>
C. Net pension liability/(asset)	<u><u>\$ (508,151)</u></u>
D. Plan fiduciary net position as a percentage of the total pension liability	209.83%
E. Covered employee payroll	N/A
F. Net pension liability/(asset) as a percentage of covered employee payroll	N/A

NOTE I – DEFINED CONTRIBUTION PLAN

The Town participates in a defined contribution plan administered by the International City Manager's Association Retirement Corporation (ICMA Retirement.) Plan provisions are established or amended by Town Council resolution. The Town and participants are required to contribute 5% each of annual covered payroll. For the year ended December 31, 2017, actual contributions by the Town and plan participants were \$45,352 each.

ICMA Retirement includes all full time employees after one year of service, except police and fire employees. Participants vest at 20% per year and are entitled to 100 percent of vested contributions. The plan is a money purchase plan qualified under section 401(a) of the Internal Revenue Code.

NOTE J – CUSTOMER ACCOUNTS RECEIVABLE

The total accounts receivable for rescue fees at December 31, 2017 was \$183,464 with an allowance for doubtful accounts of \$43,941 for a net of \$139,523. The allowance is estimated based on the past collection rate of the rescue fee revenue.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE K – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town pays an annual premium to CIRSA Property/Casualty and Workers' Compensation for its general and workmen's' compensation insurance coverage.

The agreement with CIRSA members provides that CIRSA will be self-sustaining through member premiums. CIRSA rate-setting policies are established by the Board of Directors, in consultation with independent actuaries. The Board of Directors may credit member municipalities' future contributions in the event of a surplus. Although it has never occurred, CIRSA member municipalities are subject to a supplemental assessment in the event of a deficiency.

NOTE L – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment. However, the Town has made certain interpretations of the amendments language in order to determine its compliance. The amendment also requires 3% emergency reserve to be set up on all Town expenditures covered by the amendment. The Town has set this required emergency reserve for all amendment expenditures in the General Fund Balance under Emergency Reserve.

NOTE M – LAND TRANSFER

In 2016 the Town purchased land for the Cameo Shooting Sports Complex for \$1.3 million using grant funds received from the State of Colorado Department of Local Affairs (DOLA). The Town subsequently entered a lease agreement to lease the land to the State of Colorado Department of Natural Resources who will build and operate the Shooting Complex on the land. The lease agreement states that when the State has spent \$1.5 million on the project, which did not happen during 2017, the land ownership will transfer to the State. However, the DOLA grant requires that the land be held by the Town for 10 years from the purchase date. Therefore, \$1.3 million in land currently showing as a Town asset will transfer to the State of Colorado in the future, although the timing of the transfer is uncertain.

REQUIRED
SUPPLEMENTARY INFORMATION

Town of Palisade, Colorado

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND**

Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes - property	\$ 366,412	\$ 366,412	\$ 366,782	\$ 370
Taxes - other	1,837,500	1,932,339	2,065,308	132,969
Cemetery revenue	35,000	35,000	31,737	(3,263)
Swimming pool	40,000	40,000	44,009	4,009
Community Center	192,000	192,000	255,905	63,905
Licenses and permits	20,800	20,800	131,201	110,401
Intergovernmental	483,240	483,240	351,715	(131,525)
Fines and forfeitures	16,000	16,000	18,517	2,517
Charges for services	276,550	276,550	535,716	259,166
Interest income	2,000	2,000	13,271	11,271
Miscellaneous	107,100	107,100	264,189	157,089
Total revenues	3,376,602	3,471,441	4,078,350	606,909
Expenditures				
Current:				
General government	1,012,075	1,160,898	1,121,571	39,327
Public safety	1,314,049	1,329,965	1,322,463	7,502
Public works and parks	548,617	573,617	540,806	32,811
Culture and recreation	405,233	405,233	375,270	29,963
Cemetery	69,418	69,418	69,259	159
Capital outlay:				
General government	17,500	32,600	26,470	6,130
Public safety	243,040	83,040	79,907	3,133
Public works and parks	3,300	53,300	11,671	41,629
Culture and recreation	2,000	2,000	342	1,658
Debt service:				
Principal and interest	11,766	11,766	11,766	-
Total expenditures	3,626,998	3,721,837	3,559,525	162,312
Excess (deficiency) of revenues over expenditures	(250,396)	(250,396)	518,825	769,221
Other financing sources (uses)				
Transfers in	107,600	107,600	126,000	18,400
Net change in fund balance	(142,796)	(142,796)	644,825	787,621
Fund balance, January 1	142,796	142,796	1,928,910	1,786,114
Fund balance, December 31	\$ -	\$ -	\$ 2,573,735	\$ 2,573,735

Town of Palisade, Colorado

SCHEDULE OF NET PENSION LIABILITY/(ASSET) - FPPA
STATEWIDE DEFINED BENEFIT PLAN

December 31, 2017

	Employer proportion of NPL/NPA	Employer proportionate share of NPL (NPA)	Employer covered payroll	Employer proportionate share of NPL (NPA) as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2016	0.10301%	\$ 37,221	\$ 549,963	7%	98%
December 31, 2015	0.11287%	(1,990)	521,562	0%	100%
December 31, 2014	0.10999%	(124,129)	494,615	-25%	107%

Town of Palisade, Colorado

SCHEDULE OF PENSION CONTRIBUTIONS -
FPPA STATEWIDE DEFINED BENEFIT PLAN

December 31, 2017

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
December 31, 2017	\$ 43,919	\$ 43,919	\$ -	\$ 548,988	8%
December 31, 2016	43,997	43,997	-	549,963	8%
December 31, 2015	41,725	41,725	-	521,562	8%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - FPPA STATEWIDE DEFINED
BENEFIT PLAN

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Town of Palisade, Colorado

SCHEDULE OF NET PENSION LIABILITY/(ASSET) - VOLUNTEER
FIRE DEPARTMENT PENSION FUND

December 31, 2017

				Plans fiduciary net position as a percentage of the total pension liability	Covered- employee payroll	Net pension liability as a percentage of covered- employee payroll
	Total pension liability	Plan fiduciary net position	Net pension liability/(asset)			
<u>Measurement date:</u>						
December 31, 2016	\$ 462,686	\$ 970,837	\$ (508,151)	210%	N/A	N/A
December 31, 2015	405,419	910,862	(505,443)	225%	N/A	N/A
December 31, 2014	418,045	929,006	(510,961)	222%	N/A	N/A

Town of Palisade, Colorado

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) -
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2017

Measurement period ending December 31,	2016	2015	2014
Total Pension Liability			
Service cost	\$ 16,840	\$ 16,840	\$ 4,715
Interest on the total pension liability	29,667	29,791	7,906
Benefit changes	-	-	284,549
Difference between expected and actual experience	34,342	-	37,526
Changes of assumptions	13,344	-	-
Benefit payments	(36,926)	(59,257)	(38,794)
Net change in total pension liability	57,267	(12,626)	295,902
Total pension liability - beginning	405,419	418,045	122,143
Total pension liability - ending	<u>\$ 462,686</u>	<u>\$ 405,419</u>	<u>\$ 418,045</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 30,597	\$ 10,465	\$ 19,399
Pension plan net investment income	49,455	16,931	58,804
Benefit payments	(36,926)	(59,257)	(38,794)
Pension plan administrative expense	(1,728)	(3,743)	(1,739)
State of Colorado supplemental discretionary payment	18,577	17,460	17,754
Net change in plan fiduciary net position	59,975	(18,144)	55,424
Plan fiduciary net position - beginning	910,862	929,006	873,582
Plan fiduciary net position - ending	<u>\$ 970,837</u>	<u>\$ 910,862</u>	<u>\$ 929,006</u>
Net Pension Liability/(Asset) - Ending	\$ (508,151)	\$ (505,443)	\$ (510,961)
Plan Fiduciary Net Position as a Percentage of			
Total Pension Liability	210%	225%	222%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered			
Employee Payroll	N/A	N/A	N/A

Town of Palisade, Colorado

SCHEDULE OF PENSION CONTRIBUTIONS -
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2017

	Actuarially determined contribution	Employer contributions recognized by the plan	Contribution Deficiency (Excess)	Employer covered payroll	Contributions as a percentage of employer covered payroll
December 31, 2017	\$ -	\$ 17,804	\$ (17,804)	N/A	N/A
December 31, 2016	-	30,597	(30,597)	N/A	N/A
December 31, 2015	-	10,465	(10,465)	N/A	N/A

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VOLUNTEER FIRE DEPARTMENT
PENSION FUND

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Note 2: Significant Methods and Assumptions Used in Actuarially Determined Calculations

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 Years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	3.00%
Investment Rate of Return	7.50%
Projected Salary Increases	N/A
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA

** plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.*

SUPPLEMENTARY INFORMATION

Town of Palisade, Colorado

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2017

	Tourism Fund	Conservation Trust Fund	Palisade Rural Fire Protection District	Capital Improvement Fund	Total
Assets					
Cash and investments	\$ 9,225	\$ 23,712	\$ 58,006	\$ 100	\$ 91,043
Property tax receivable	-	-	124,524	-	124,524
Lodging and other tax receivable	1,194	-	1,504	-	2,698
Total assets	10,419	23,712	184,034	100	218,265
Liabilities					
Accounts payable	1,282	-	298	-	1,580
Due to other funds	-	-	-	729	729
Total liabilities	1,282	-	298	729	2,309
Deferred inflows of resources					
Property taxes	-	-	124,524	-	124,524
Total deferred inflows of resources	-	-	124,524	-	124,524
Total liabilities and deferred inflows of resources	1,282	-	124,822	729	126,833
Fund balances					
Restricted for park improvements	-	23,712	-	-	23,712
Assigned for marketing	9,137	-	-	-	9,137
Assigned for public safety	-	-	59,212	-	59,212
Unassigned	-	-	-	(629)	(629)
Total fund balances	\$ 9,137	\$ 23,712	\$ 59,212	\$ (629)	\$ 91,432

Town of Palisade, Colorado

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2017

	Tourism Fund	Conservation Trust Fund	Palisade Rural Fire Protection District	Capital Improvement Fund	Total
Revenues					
Taxes and special assessments	\$ 31,617	\$ -	\$ 143,200	\$ -	\$ 174,817
Intergovernmental	-	26,678	-	-	26,678
Interest income	-	-	1,046	-	1,046
Miscellaneous	-	-	750	-	750
Total revenues	31,617	26,678	144,996	-	203,291
Expenditures					
Current:					
General government	36,429	-	-	-	36,429
Public safety	-	-	15,938	-	15,938
Capital outlay:					
Park improvements	-	70,657	-	-	70,657
Total expenditures	36,429	70,657	15,938	-	123,024
Excess of revenues over (under) expenditures	(4,812)	(43,979)	129,058	-	80,267
Other financing sources (uses)					
Transfers out	-	-	(126,000)	-	(126,000)
Net change in fund balance	(4,812)	(43,979)	3,058	-	(45,733)
Fund balance, January 1	13,949	67,691	56,154	(629)	137,165
Fund balance, December 31	\$ 9,137	\$ 23,712	\$ 59,212	\$ (629)	\$ 91,432

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND

Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 680,485	\$ 680,485	-	\$ (680,485)
Total revenues	680,485	680,485	-	(680,485)
Expenditures				
Capital outlay:				
Culture and recreation	680,485	680,485	-	680,485
Total expenditures	680,485	680,485	-	680,485
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance, January 1	-	-	(629)	(629)
Fund balance, December 31	\$ -	\$ -	\$ (629)	\$ (629)

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TOURISM SPECIAL REVENUE FUND

Year ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Lodging taxes	\$ 29,500	\$ 31,617	\$ 2,117
Expenditures			
Marketing	38,500	36,429	2,071
Excess (deficiency) of revenues over (under) expenditures	(9,000)	(4,812)	4,188
Fund balance, January 1	9,000	13,949	4,949
Fund balance, December 31	\$ -	\$ 9,137	\$ 9,137

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CONSERVATION TRUST FUND

Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Lottery funds	\$ 27,000	\$ 27,000	\$ 26,678	\$ (322)
Total revenues	27,000	27,000	26,678	(322)
Expenditures				
Park improvements	60,000	71,000	70,657	343
Total expenditures	60,000	71,000	70,657	343
Excess (deficiency) of revenues over expenditures	(33,000)	(44,000)	(43,979)	21
Fund balance, January 1	33,000	44,000	67,691	23,691
Fund balance, Decembert 31	\$ -	\$ -	\$ 23,712	\$ 23,712

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PALISADE RURAL FIRE PROTECTION DISTRICT

Year ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes - property	\$ 124,257	\$ 124,104	\$ (153)
Taxes - other	14,000	19,096	5,096
Interest income	450	1,046	596
Grant revenue	50,000	-	(50,000)
Miscellaneous income	750	750	-
Total revenues	189,457	144,996	(44,461)
Expenditures			
Public safety	19,939	15,938	4,001
Capital outlay	50,000	-	50,000
Contingency	4,000	-	4,000
Total expenditures	73,939	15,938	58,001
Excess (deficiency) of revenues over expenditures	115,518	129,058	13,540
Other financing sources (uses)			
Transfers out	(115,000)	(126,000)	(11,000)
Net change in fund balance	518	3,058	2,540
Fund balance, January 1	54,502	56,154	1,652
Fund balance, December 31	\$ 55,020	\$ 59,212	\$ 4,192

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - WATER FUND

Year ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for service	\$ 1,000,000	\$ 1,011,627	\$ 11,627
Tap fees	12,000	64,201	52,201
Grant revenue	-	83,007	83,007
Interest income, penalties, and miscellaneous	5,100	12,246	7,146
Total revenues	1,017,100	1,171,081	153,981
Expenses			
Operating expenses	659,814	541,641	118,173
Debt service payments	362,618	333,910	28,708
Capital outlay	95,500	76,906	18,594
Total expenditures	1,117,932	952,457	165,475
Excess (deficit) of revenues over expenditures	<u>\$ (100,832)</u>	218,624	<u>\$ 319,456</u>
Reconciliation of change in net position			
Adjustments to GAAP basis:			
Depreciation		(323,616)	
Capitalized capital outlay		64,464	
Debt service principal payments		209,453	
Change in net position		<u>\$ 168,925</u>	

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - UTILITY FUND

Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for service	\$ 682,400	\$ 692,400	\$ 693,214	\$ 814
Tap fees	-	-	73,877	73,877
Grant revenue	-	-	10,000	10,000
Interest income and miscellaneous	10,600	10,600	20,987	10,387
Total revenues	693,000	703,000	798,078	95,078
Expenses				
Operating expenses	432,142	446,742	395,317	51,425
Capital outlay	797,500	1,060,726	960,905	99,821
Total expenditures	1,229,642	1,507,468	1,356,222	151,246
Excess (deficit) of revenues over expenditures	\$ (536,642)	\$ (804,468)	(558,144)	\$ 246,324
Reconciliation of change in net position				
Adjustments to GAAP basis:				
Capitalized capital outlay			890,481	
Depreciation			(164,280)	
Change in net position			\$ 168,057	

LOCAL HIGHWAY FINANCE REPORT		City or County:
		Town of Palisade
		YEAR ENDING :
This Information From The Records Of (example - City of _ or County of _)		Prepared By:
Town of Palisade		Joseph Vlach
		Phone:
		970-464-5602

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	188,250
3. Other local imposts (from page 2)	60,200
4. Miscellaneous local receipts (from page 2)	15,437
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	263,887
B. Private Contributions	
C. Receipts from State government (from page 2)	151,450
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	415,337

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	0
2. Maintenance:	135,475
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	
c. Other	
d. Total (a. through c.)	0
4. General administration & miscellaneous	73,664
5. Highway law enforcement and safety	206,198
6. Total (1 through 5)	415,337
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	415,337

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		415,337	415,337		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2017

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	15,437
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	60,200	g. Other Misc. Receipts	
6. Total (1. through 5.)	60,200	h. Other	
c. Total (a. + b.)	60,200	i. Total (a. through h.)	15,437
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	70,700	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	5,750	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)	75,000	f. Other Federal	
f. Total (a. through e.)	80,750	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	151,450	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

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

Notes and Comments:

C (3) (e) Mesa County Street Contribution \$75,000.