

TOWN OF YAMPA, COLORADO

Financial Statements

December 31, 2017



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Office of the State Auditor

September 13, 2018

TOWN OF YAMPA, COLORADO

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Independent Auditor's Report

The Honorable Mayor and Board of Trustees
Town of Yampa, Colorado

Report on the Financial Statements

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yampa, 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.

Report on Summarized Comparative Financial Information

We have previously audited the Town's December 31, 2016 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 27, 2017. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-9 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 32 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This required supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Enterprise Fund Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual on page 33 and the Local Highway Finance Report on pages 34-35 are presented for the purpose of additional analysis and are not a required part of the Town's basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Catterson + Company, P.C.

Steamboat Springs, Colorado
September 12, 2018

Town of Yampa, Colorado
Management's Discussion and Analysis
December 31, 2017

Purpose

The Town of Yampa's Management's Discussion and Analysis (MD&A) is designed to:

1. Assist the reader in focusing on significant financial issues.
2. Provide an overview of the Town's financial activity.
3. Identify changes in the Town's financial position.
4. Identify any material deviation from the budget.
5. Identify individual fund issues or concerns.

The MD&A is designed to focus on the report year's activities, resulting changes and currently known facts. Please read it in conjunction with the Town's Financial Statements beginning on page 10 of that document.

Introduction

The Town of Yampa is a Statutory Municipality that was incorporated in 1906. The type of government is Town Board-Mayor with five elected officials being responsible for all policy decisions that affect the Town's financial condition. The appointed Town Clerk/Treasurer is responsible for preparing the annual budget, which is adopted by the Board by December 15th. The Clerk/Treasurer is responsible for financial reporting to the Town Board and to the public-at-large. The Town maintains two separate funds, which are as follows:

1. Governmental Fund (General Fund)
2. Proprietary Fund (Enterprise Fund aka Water/Sewer Fund)

General Fund - The General fund is the chief operating fund of the Town of Yampa. It accounts for all general services provided by the Town, excluding utilities.

Proprietary (Enterprise) Fund - The Town's Water and Sewer fund is used to account for those operations that are financed and operated in a manner like private business, in that fees are charged to external users for goods and services.

The Town of Yampa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Governmental Fund (General Fund) is accounted for using the modified accrual basis of accounting, and the balance of spendable resources (unreserved fund balance) is shown at year-end. The unreserved fund balance serves as a useful measure of a government's net resources available for spending at year-end. At year-end, the Town's Governmental fund reported a fund balance of \$625,334. Of that balance, \$12,460 is restricted for Tabor (emergencies) and \$111,568 is restricted for Conservation Trust (open space and parks), leaving \$501,306 available for spending at the Town's discretion. At year-end, the Town's Proprietary (Enterprise) fund reported a negative fund balance of \$177,871 net of investment in capital assets. \$51,271 is restricted for operations and maintenance reserve; therefore, there is no fund balance available for spending at the Town's discretion.

Financial Information

The Town's government-wide statements have been prepared using the economic resources measurement of focus and the accrual basis of accounting. The Town's financial statements for governmental funds have been prepared using the modified accrual basis of accounting. The Town's annual audit is prepared by an accounting firm (Catterson & Co., P.C.) with the contents of the audit meeting the requirements set forth by the Colorado State Auditor's Office. The financial system of the Town incorporates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. To ensure budgeting controls, the Town Board approves all major budgetary changes by a recorded vote documented in the minutes. A supplemental budget is prepared if necessary.

Financial Highlights

- The unrestricted general fund balance is \$501,306. This balance is considered to be a safe level of reserves, as it is approximately 2.9 times the annual operating budget. The unrestricted proprietary (enterprise) fund balance is \$(177,871), excluding net investment in capital assets. This balance will need to be brought positive, plus increased to once again have a safe level of reserves. This should be accomplished by an increase in user rates in 2018.
- The total net position of the Town increased in 2017 in governmental activities and business-type activities funds. Total net position for the governmental activities is \$2,016,092 and business-type activities is \$3,193,006.
- In 2011, the Town received notification from the Colorado Department of Public Health and Environment that the Town's water system was reclassified from ground water to ground water under the direct influence of surface water. This change in classification required the installation of additional filtration and chlorination equipment. The project began as improvements to the Water Treatment Facility and installation of a water storage tank, but since then it was determined that a pre-treatment facility was also needed and the property owners requested that the access road to the Water Treatment Facility be relocated.
- In 2013, the Town was awarded an energy and mineral impact assistance fund grant in the amount of \$1,000,000. In 2014, the Town closed on a state revolving fund loan in the amount of \$1,370,241, \$847,920 of which was principal forgiveness to round out the funding for the project. The bids for the project came in higher than anticipated, plus the Town did not have funds on hand to pay for the relocation of the access road. Additional funding from the Department of Local Affairs in the amount of \$950,000 covered the additional cost of the Water Treatment Facility improvements and the new access road. The water treatment facility improvements and the water storage tank are completed. The pretreatment building that will need to be constructed at the Water Treatment Facility is funded by a Small Communities Grant in the amount of \$950,000 and construction is anticipated in 2018. The pretreatment will upgrade treatment and increase reliability to meet Colorado Primary Drinking Water Regulations, year-round, for raw water withdrawals from the Town's two sources of supply – groundwater under the direct influence of surface water from a horizontal well and surface water from the Bear River.
- In the fall of 2013, a compliance inspection was completed on the Town's wastewater facility. The Colorado Department of Public Health and Environment informed the Town that it was not in compliance with total ammonia limits. A Small Communities Grant in the amount of \$100,000 was obtained to evaluate the existing wastewater collection system and outline feasible improvements and then develop preliminary design documents and site application for the wastewater treatment facility improvements. This project is ongoing with completion originally expected in 2018; however, it appears that completion will not occur until 2019 or possibly 2020 due to delays with design and approvals needed from Colorado Department of Public Health and Environment.

Using This Annual Report

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Yampa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into two categories: Governmental (General) Funds and Proprietary (Enterprise) Funds.

Governmental Funds

Most of the Town's basic services are reported in a governmental fund, which focuses on cash flows. The unrestricted balance left at year-end is available for spending in future years. The fund is reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view as to cash, operations, and basic services provided.

The Town of Yampa maintains one governmental fund: General Fund. Information is presented in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. Annual budget appropriations are adopted for the fund. Budgetary comparison statements are provided to demonstrate compliance with the budget.

Proprietary (Enterprise) Funds

The Town's water and sewer services are reported in proprietary funds. They focus on overall economic position rather than year-end fund balances. Enterprise funds are the type of proprietary funds used to account for each of the Town's utilities. Enterprise funds are used to report the same functions presented in business-type activities in the governmental-wide financial statements, only in more detail.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found immediately after the basic financial statements.

Government-Wide Financial Analysis

Comparing the Basic Financial Statements from year-end 2016 to year-end 2017, net position has increased in both the General Fund and in the Proprietary (Enterprise) Fund.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Yampa's assets exceeded liabilities by \$5,209,098 at the close of 2017.

Net Position				
	2017 Governmental Activities	2017 Business-type Activities	2017 Total	2016 Total
Assets				
Current and Other Assets	\$ 694,633	\$ (96,707)	\$ 597,926	\$ 898,300
Capital Assets	\$ 1,390,758	\$ 3,809,990	\$ 5,200,748	\$ 4,621,518
Total Assets	\$ 2,085,391	\$ 3,713,283	\$ 5,798,674	\$ 5,519,818
Liabilities				
Current Liabilities	\$ 4,731	\$ 29,893	\$ 33,624	\$ 198,454
Retainage liability	\$ -	\$ -	\$ -	\$ 128,434
Non-current Liabilities	\$ -	\$ 490,384	\$ 490,384	\$ 505,805
Deferred Inflows of Resources	\$ 64,568		\$ 64,568	\$ 62,924
Total Liabilities and Deferred Inflows	\$ 69,299	\$ 520,277	\$ 588,576	\$ 895,617
Net position				
Net Investment in Capital Assets	\$ 1,390,758	\$ 3,319,606	\$ 4,710,364	\$ 4,115,713
Restricted for Tabor (Emergencies)	\$ 12,460	\$ -	\$ 12,460	\$ 12,086
Conservation Trust	\$ 111,568	\$ -	\$ 111,568	\$ 105,958
Restricted for O & M reserves	\$ -	\$ 51,271	\$ 51,271	\$ 46,000
Unrestricted	\$ 501,306	\$ (177,871)	\$ 323,435	\$ 344,444
Total Net Position	\$ 2,016,092	\$ 3,193,006	\$ 5,209,098	\$ 4,624,201

The largest of the Town's net position (90%) reflects its investment in capital assets (land, buildings and systems, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending. The remaining balance of net position is unrestricted and may be used to meet the Town's ongoing obligations to residents, businesses and creditors.

Statement of Activities

For 2017, total revenues for Governmental Activities exceeded expenses by \$365,573. Total revenues for Business-type Activities (Enterprise Fund) exceeded expenses \$219,324.

The following condensed table of changes in net position illustrates changes in net position for Governmental Activities and Business-type Activities for 2017.

Changes in Net Position				
	2017 Governmental Activities	2017 Business-type Activities	2017 Total	2016 Total
Revenues				
Governmental Activities				
Taxes	\$ 138,570		\$ 138,570	\$ 129,846
Intergovernmental	\$ 49,732		\$ 49,732	\$ 42,829
Interest	\$ 1,724		\$ 1,724	\$ 1,543
Capital grants & contributions	\$ 378,581		\$ 378,581	\$ 231,371
Other	\$ 9,419		\$ 9,419	\$ 8,430
Business-type Activities				
Charges for service-water		\$ 114,259	\$ 114,259	\$ 118,048
Charges for service-sewer		\$ 100,739	\$ 100,739	\$ 101,400
Interest		\$ 904	\$ 904	\$ 760
Other-Grants		\$ 238,640	\$ 238,640	\$ 692,159
Total Revenues	\$ 578,026	\$ 454,542	\$ 1,032,568	\$ 1,326,386
Expenses				
Governmental Activities				
Legislative	\$ 61,117		\$ 61,117	\$ 62,488
Public Works	\$ 75,646		\$ 75,646	\$ 71,993
Administrative	\$ 34,680		\$ 34,680	\$ 33,222
Depreciation	\$ 41,010		\$ 41,010	\$ 15,309
Business-type Activities				
Water		\$ 147,455	\$ 147,455	\$ 126,909
Sewer		\$ 87,763	\$ 87,763	\$ 88,504
Total Expenses	\$ 212,453	\$ 235,218	\$ 447,671	\$ 398,425
Change in Net Position	\$ 365,573	\$ 219,324	\$ 584,897	\$ 927,961
Net Position, Beginning of Year	\$ 1,650,519	\$ 2,973,682	\$ 4,624,201	\$ 3,696,240
Net Position, End of Year	\$ 2,016,092	\$ 3,193,006	\$ 5,209,098	\$ 4,624,201

BUDGETARY HIGHLIGHTS

In the General Fund, there were no changes from the Town's original to final budget. Actual revenues were higher than budgeted due to more grant funds received on the Crossan project. Expenditures were higher than anticipated due to more grant funds used. The Crossan building is nearing completion and should be ready for full occupancy in 2018.

In the Proprietary (Enterprise) Fund (water/sewer) there were no changes from the Town's original to final budget. Actual revenues were lower than budgeted due to less grant funds received. Also, the town anticipated raising user rates, but that did not occur in 2017. Expenditures were less than anticipated due to less grant funds used on the water projects.

CAPITAL ASSETS

At December 31, 2017, the Town had invested in a range of capital assets including land, buildings and improvements, vehicles, equipment, infrastructure, and water and waste water plants.

DEBT ADMINISTRATION

Debt was incurred in 2014 through a loan agreement with the Colorado Water Resources and Power Development Authority. The loan amount was \$1,370,241 which includes \$847,920 in principal forgiveness, reducing the loan amount to \$552,321. Pay back of the loan began in 2015.

SUMMARY OF FINANCIAL CONDITION

Although the Town of Yampa continues to maintain an adequate financial position in the general fund, the enterprise fund has taken a huge hit to cash reserves and both water and sewer rate increases are overdue. A complete review of the water and sewer ordinance fees were planned for 2017, but rate increases will not occur until 2018.

For the General Fund, in addition to ongoing basic services, the rehabilitation of the Crossan's M & A Market building was the top priority. The Town, through its subcommittee Friends of the Crossan's M & A Market and an agreement with Historic Routt County did continue the rehabilitation. The first floor was completed and the Town has occupied that space since the summer of 2017. The project has been funded through grants and fund-raising efforts of Friends of Crossan's. Town revenues have not funded the project. Street improvements through gravel replacement on streets is an ongoing process when funding and staff time permit. First Street from Main Street to Rich Avenue received gravel replacement in 2017. Dust abatement on a rotating schedule also occurred on some town streets.

For the Water and Sewer Fund, since 2011, when the Town received notification from the Colorado Department of Public Health and Environment, that the Town's water system had been reclassified from ground water to ground water under the direct influence of surface water, the Town has continued to work on the required water treatment facility improvements to provide additional filtration and chlorination and on the installation of the additional water storage tank. Construction of the water treatment plant improvements and the additional water storage tank reached substantial completion by the end of 2016, and final completion in 2017. The pretreatment building at the water treatment facility and the new access road into the water treatment facility were anticipated to be completed in 2017. Neither were. Work will continue on both in 2018. The Town acquired the infiltration gallery property in 2017.

In the fall of 2013, a compliance inspection at the wastewater treatment plant found that the plant was exceeding its ammonia levels and planning for the necessary improvements to bring the plant into compliance began. Planning continued in 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have questions about this report or need additional information, contact the Town Clerk/Treasurer, P.O. Box 224, Yampa, CO 80483 or call (970) 638-4511 or e-mail jray@townofyampa.com.

TOWN OF YAMPA, COLORADO
Statement of Net Position
December 31, 2017
(with summarized financial information as of December 31, 2016)

	2017			2016 Total
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 541,743	\$ (291,297)	\$ 250,446	\$ 379,072
Project loan account	-	-	-	5,000
Accounts receivable	33,393	9,228	42,621	14,471
Due from other governments	54,929	185,362	240,291	436,833
Property taxes receivable	64,568	-	64,568	62,924
Capital assets, net of accumulated depreciation	<u>1,390,758</u>	<u>3,809,990</u>	<u>5,200,748</u>	<u>4,621,518</u>
Total assets	<u>2,085,391</u>	<u>3,713,283</u>	<u>5,798,674</u>	<u>5,519,818</u>
Liabilities:				
Accounts payable and other current liabilities	4,731	28,893	33,624	198,454
Escrow deposit liability	-	1,000	1,000	-
Retainage liability	-	-	-	128,434
Noncurrent liabilities:				
Due within one year	-	15,576	15,576	15,421
Due in more than one year	-	474,808	474,808	490,384
Total liabilities	<u>4,731</u>	<u>520,277</u>	<u>525,008</u>	<u>832,693</u>
Deferred inflows of resources:				
Deferred property taxes	<u>64,568</u>	<u>-</u>	<u>64,568</u>	<u>62,924</u>
Total deferred inflows of resources	<u>64,568</u>	<u>-</u>	<u>64,568</u>	<u>62,924</u>
Net position:				
Net investment in capital assets	1,390,758	3,319,606	4,710,364	4,115,713
Restricted for:				
Operations and maintenance reserve	-	51,271	51,271	46,000
Open space and parks	111,568	-	111,568	105,958
Emergencies	12,460	-	12,460	12,086
Unrestricted	<u>501,306</u>	<u>(177,871)</u>	<u>323,435</u>	<u>344,444</u>
Total net position	<u>\$ 2,016,092</u>	<u>\$ 3,193,006</u>	<u>\$ 5,209,098</u>	<u>\$ 4,624,201</u>

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

TOWN OF YAMPA, COLORADO
Statement of Activities
For the Year Ended December 31, 2017
(with summarized financial information for the year ended December 31, 2016)

Functions/Programs	2017							2016 Total
	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Legislative	\$ 61,117	\$ -	\$ -	\$ -	\$ (61,117)	\$ -	\$ (61,117)	\$ (62,488)
Public works	75,646	-	378,581	-	302,935	-	302,935	159,378
Administrative	34,680	9,419	-	-	(25,261)	-	(25,261)	(24,792)
Unallocated depreciation	41,010	-	-	-	(41,010)	-	(41,010)	(15,309)
Total governmental activities	212,453	9,419	378,581	-	175,547	-	175,547	56,789
Business-type activities:								
Water	147,455	114,259	238,640	-	-	205,444	205,444	683,298
Sewer	87,763	100,739	-	-	-	12,976	12,976	12,896
Total business-type activities	235,218	214,998	238,640	-	-	218,420	218,420	696,194
Total primary government	<u>\$ 447,671</u>	<u>\$ 224,417</u>	<u>\$ 617,221</u>	<u>\$ -</u>	175,547	218,420	393,967	752,983
General revenues:								
Taxes:								
Property					63,713	-	63,713	60,835
Sales and use					69,837	-	69,837	64,693
Specific ownership					5,020	-	5,020	4,318
Intergovernmental					38,650	-	38,650	31,693
Franchise fees					11,082	-	11,082	11,136
Interest					1,724	904	2,628	2,303
Total general revenues					190,026	904	190,930	174,978
Change in net position					365,573	219,324	584,897	927,961
Net position, beginning of year					1,650,519	2,973,682	4,624,201	3,696,240
Net position, end of year					<u>\$ 2,016,092</u>	<u>\$ 3,193,006</u>	<u>\$ 5,209,098</u>	<u>\$ 4,624,201</u>

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

TOWN OF YAMPA, COLORADO
General Fund
Balance Sheet
December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Assets:		
Cash and cash equivalents	\$ 541,743	\$ 490,757
Accounts receivable	33,393	4,751
Due from other governments	54,929	181,943
Property taxes receivable	64,568	62,924
Total assets	\$ 694,633	\$ 740,375
Liabilities, deferred inflows of resources and fund balance:		
Liabilities:		
Accounts payable	\$ 4,731	\$ 60,078
Total liabilities	4,731	60,078
Deferred inflows of resources:		
Deferred property taxes	64,568	62,924
Total deferred inflows of resources	64,568	62,924
Fund balance:		
Restricted for:		
Open space and parks	111,568	105,958
Emergencies	12,460	12,086
Unassigned	501,306	499,329
Total fund balance	625,334	617,373
Total liabilities, deferred inflows of resources, and fund balance	\$ 694,633	\$ 740,375

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

TOWN OF YAMPA, COLORADO
Reconciliation of the General Fund Balance Sheet
to the Statement of Net Position
December 31, 2017

General fund balance	\$ 625,334
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	<u>1,390,758</u>
Governmental activities net position	<u>\$ 2,016,092</u>

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

TOWN OF YAMPA, COLORADO
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2017
(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Revenues:		
Taxes:		
Property	\$ 63,713	\$ 60,835
Sales	69,837	64,693
Specific ownership	5,020	4,318
Intergovernmental	38,650	31,693
Franchise fees	11,082	11,136
Grants	378,581	231,371
Interest	1,724	1,543
Other	9,419	8,430
Total revenues	578,026	414,019
Expenditures:		
Legislative	61,117	62,488
Public works	75,646	71,993
Administrative	34,680	33,222
Capital outlay	398,622	291,426
Total expenditures	570,065	459,129
Net change in fund balance	7,961	(45,110)
Fund balance, beginning of year	617,373	662,483
Fund balance, end of year	\$ 625,334	\$ 617,373

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

TOWN OF YAMPA, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in
General Fund Balance to the Statement of Activities
For the Year Ended December 31, 2017

Change in fund balance - general fund	\$	7,961
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capitalized expenditures		398,622
Depreciation		<u>(41,010)</u>
Change in net position of governmental activities	\$	<u><u>365,573</u></u>

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

TOWN OF YAMPA, COLORADO
Enterprise Fund
Statement of Net Position
December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Project loan account	-	5,000
Accounts receivable	9,228	9,720
Due from other governments	185,362	254,890
Total current assets	194,590	269,610
Noncurrent assets:		
Capital assets, net of accumulated depreciation	3,809,990	3,588,372
Total noncurrent assets	3,809,990	3,588,372
Total assets	4,004,580	3,857,982
Liabilities:		
Current liabilities:		
Cash overdraft	291,297	111,685
Accounts payable and accrued liabilities	28,893	138,376
Escrow deposit liability	1,000	-
Retainage liability	-	128,434
Note payable, current portion	15,576	15,421
Total current liabilities	336,766	393,916
Noncurrent liabilities:		
Note payable, net of current portion	474,808	490,384
Total liabilities	811,574	884,300
Net position:		
Net investment in capital assets	3,319,606	3,082,567
Restricted for:		
Operations and maintenance reserve	51,271	46,000
Unrestricted (deficit)	(177,871)	(154,885)
Total net position	\$ 3,193,006	\$ 2,973,682

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

TOWN OF YAMPA, COLORADO
Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017
(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Operating revenues:		
Charges for services	\$ 211,752	\$ 216,291
Other income	3,246	3,157
	214,998	219,448
Operating expenses:		
Wages and benefits	101,817	105,564
Repairs and maintenance	18,292	4,111
Administrative	19,651	15,438
Utilities	18,964	17,802
Other operating	22,053	17,675
Water storage	24,308	23,620
Depreciation	25,113	26,030
	230,198	210,240
Total operating expenses		
Operating income	(15,200)	9,208
Non-operating revenues (expenses):		
Capital grants	238,640	692,159
Interest income	904	760
Interest expense	(5,020)	(5,173)
	234,524	687,746
Net non-operating revenues		
Change in net position	219,324	696,954
Net position, beginning of year	2,973,682	2,276,728
Net position, end of year	\$ 3,193,006	\$ 2,973,682

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

TOWN OF YAMPA, COLORADO
Enterprise Fund
Statement of Cash Flows

For the Year Ended December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 213,244	\$ 214,784
Cash received from other sources	3,246	3,157
Cash payments to vendors for goods and services	(129,702)	(113,009)
Cash payments to employees for services	(75,094)	(72,771)
Net cash provided by operating activities	11,694	32,161
Cash flows from capital and related financing activities:		
Proceeds from capital grants	308,168	731,138
Cash drawn from project loan account	5,000	609,725
Cash paid for capital assets	(484,937)	(1,325,797)
Principal paid on note payable	(15,421)	(15,268)
Interest paid on note payable	(5,020)	(5,173)
Net cash provided (used) by capital and related financing activities	(192,210)	(5,375)
Cash flows from investing activities:		
Interest received	904	760
Net cash provided by investing activities	904	760
Net change in cash and cash equivalents	(179,612)	27,546
Cash overdraft, beginning of year	(111,685)	(139,231)
Cash overdraft, end of year	\$ (291,297)	\$ (111,685)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (15,200)	\$ 9,208
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25,113	26,030
(Increase) decrease in:		
Accounts receivable	492	(1,507)
(Decrease) increase in:		
Accounts payable and accrued liabilities, net of capital portion	289	(1,570)
Escrow deposit liability	1,000	-
Net cash provided by operating activities	\$ 11,694	\$ 32,161

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

TOWN OF YAMPA, COLORADO
Fiduciary Fund - Police Pension Trust Fund
Statement of Fiduciary Net Position
December 31, 2017
(with summarized financial information as of December 31, 2016)

	2017	2016
Assets:		
Investments	\$ 21,394	\$ 21,156
Total assets	21,394	21,156
Net position:		
Held in trust for pension benefits	21,394	21,156
Total net position	\$ 21,394	\$ 21,156

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

TOWN OF YAMPA, COLORADO
Fiduciary Fund - Police Pension Trust Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2017
 (with summarized financial information for the year ended December 31, 2016)

	2017	2016
Additions:		
Interest	\$ 238	\$ 136
Net position, beginning of year	21,156	21,020
Net position, end of year	\$ 21,394	\$ 21,156

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

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017

(with summarized financial information as of and for the year ended December 31, 2016)

Note 1: Summary of Significant Accounting Policies

The Town of Yampa, Colorado (the Town) was incorporated on April 17, 1906 in Routt County and is governed by a publicly elected Board of Trustees. The Town provides general government, public works, water and sewer services for the Town's residents.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the Town is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

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 does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The government-wide financial statements and proprietary (enterprise) fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus, and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues collected within 60 days after year end to be available and thus recognizes them as revenues in the current year.

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial Statement Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about the nonfiduciary activities of the Town. The Town's activities are categorized as either governmental activities or business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental functions and business-type activities. The governmental functions are supported by general revenues (e.g., taxes, interest). The statement of activities reduces gross expenses (including depreciation) by related program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenues include (a) charges for services and (b) grants and contributions that are restricted for the operating or capital requirements of a specific program. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements report information about the Town's funds.

The Town reports the following major governmental fund:

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

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017

(with summarized financial information as of and for the year ended December 31, 2016)

Note 1: Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Fund Financial Statements (continued)

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

The *Enterprise Fund* accounts for the activities of the water and sewer utilities of the Town that are provided to its residents. The major sources of revenue are from user fees, which are used for operations, and from tap fees, which are used for capital improvements.

Fund Balance Presentation

Fund balances of the governmental fund are classified as follows:

- Non-spendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- Committed – includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the Town. Such formal action may be in form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- Assigned – includes amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the Board of Trustees.
- Unassigned – represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned.

Assets, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and Investments

The Town's cash includes cash on hand, demand deposits, and certificates of deposit. The Town's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to \$1.00 per share.

Accounts Receivable

Receivables consist of amounts due from residents for water and sewer utilities and amounts due from other governments for taxes and reimbursable grants. Management reviews receivables periodically to establish an allowance for uncollectible accounts. The Town considers all receivables to be fully collectible at December 31, 2017 and 2016. Therefore, no allowance for uncollectible accounts has been established.

Capital Assets

Capital assets include property, water and sewer systems, vehicles, equipment and infrastructure assets. Capital assets are defined by the Town as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or estimated fair value if donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Infrastructure	50
Buildings	40
Water and sewer systems	40
Vehicles	5
Equipment	3-10

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Town's deferred inflows of resources consist solely of unavailable revenues from property taxes.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the Town's business-type activities. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the Town on a monthly basis. In accordance with US GAAP, the assessed but uncollected property taxes have been recorded as receivable and as deferred inflows of resources as property taxes are assessed in one year as a lien on the property but not collected by the Town until the subsequent year.

Use of Estimates

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

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Town's audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The annual budget is adopted on a basis consistent with US GAAP for the General Fund. The Enterprise Fund adopts a budget on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on debt are budgeted and recorded as expenditures. All annual appropriations lapse at year end.

The Town conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Town Clerk submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Trustees to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Trustees.
- All appropriations lapse at the end of each fiscal year.

The Town did not adopt any supplemental appropriations during the year.

Compliance

The Town's General Fund expenditures exceeded appropriations by \$78,201 for the year ended December 31, 2017.

TABOR Amendment

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

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Town has reserved \$12,460 of the December 31, 2017 fund balance in the General Fund for this purpose.

The Town's voters passed a ballot question in April 1998, permitting the Town to collect, retain and expend all revenues and other funds collected during 1997 and each subsequent year. The ballot question also stipulated that no property tax mill levy shall be increased at any time, nor shall any new tax be imposed without the prior approval of the Town's voters.

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

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 3: Detailed Notes on All Funds

Deposits

The carrying amount of the Town's deposits at December 31, 2017 and 2016 was \$23,315 and \$61,965, respectively, and bank balances were \$36,715 and \$212,026, respectively. All of the bank balances as of December 31, 2017 and 2016 were covered by federal deposit insurance.

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 collateral 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 equal or exceed 102% of the aggregate uninsured deposits.

Investments

As of December 31, 2017 and 2016, the Town had \$248,475 and \$338,214, respectively, invested in the COLOTRUST PLUS+ fund, including \$21,394 and \$21,156, respectively, of police pension trust fund assets. COLOTRUST PLUS+ is a short-term money market fund organized in conformity with Part 7 of Article 75 of Title 24, CRS. The portfolio offers Colorado governmental entities a convenient and efficient means to pool their funds to take advantage of short-term investments and maximize net interest earnings. COLOTRUST PLUS+'s investment objective is to obtain as high a level of current income as is consistent with the preservation of capital and liquidity. The investment adviser for COLOTRUST PLUS+ is Public Trust Advisors LLC, a Colorado-based investment adviser, registered with the SEC. The portfolio manager is responsible for making all of the investment decisions for the portfolio. Wells Fargo Bank, N.A. is custodian of the portfolio's securities and cash. COLOTRUST PLUS+ portfolio invests in U.S. Treasury securities, federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, the highest rated commercial paper, and highly-rated corporate bonds. The weighted average maturity to reset is kept under 60 days, which helps to enhance liquidity and limits market price exposure. The COLOTRUST PLUS+ fund holds a 'AAAm' rating by Standard and Poor's.

The Town's investments are subject to interest rate, credit risk, and concentration of credit risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town currently invests only in highly liquid investment pools which may be redeemed at any time.

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 3: Detailed Notes on All Funds (continued)

Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 293,966	\$ -	\$ -	\$ 293,966
Other capital assets:				
Buildings	887,326	398,622	-	1,285,948
Equipment	115,827	-	-	115,827
Vehicles	17,840	-	-	17,840
Infrastructure	130,167	-	-	130,167
Total other capital assets at cost	1,151,160	398,622	-	1,549,782
Less accumulated depreciation for:				
Buildings	(224,029)	(32,484)	-	(256,513)
Equipment	(104,115)	(4,195)	-	(108,310)
Vehicles	(8,898)	(1,850)	-	(10,748)
Infrastructure	(74,938)	(2,481)	-	(77,419)
Total accumulated depreciation	(411,980)	(41,010)	-	(452,990)
Other capital assets, net	739,180	357,612	-	1,096,792
Governmental activities capital assets, net	<u>\$ 1,033,146</u>	<u>\$ 357,612</u>	<u>\$ -</u>	<u>\$ 1,390,758</u>
Business-type activities:				
Land	\$ 54,956	\$ -	\$ -	\$ 54,956
Other capital assets:				
Buildings and systems	4,707,868	246,731	-	4,954,599
Equipment	47,389	-	-	47,389
Total other capital assets at cost	4,755,257	246,731	-	5,001,988
Less accumulated depreciation for:				
Buildings and systems	(1,183,002)	(23,213)	-	(1,206,215)
Equipment	(38,839)	(1,900)	-	(40,739)
Total accumulated depreciation	(1,221,841)	(25,113)	-	(1,246,954)
Business-type activities capital assets, net	<u>\$ 3,588,372</u>	<u>\$ 221,618</u>	<u>\$ -</u>	<u>\$ 3,809,990</u>

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 3: Detailed Notes on All Funds (continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2016 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 293,966	\$ -	\$ -	\$ 293,966
Other capital assets:				
Buildings	605,150	282,176	-	887,326
Equipment	126,083	-	(10,256)	115,827
Vehicles	8,590	9,250	-	17,840
Infrastructure	130,167	-	-	130,167
Total other capital assets at cost	869,990	291,426	(10,256)	1,151,160
Less accumulated depreciation for:				
Buildings	(215,705)	(8,324)	-	(224,029)
Equipment	(110,176)	(4,195)	10,256	(104,115)
Vehicles	(8,590)	(308)	-	(8,898)
Infrastructure	(72,456)	(2,482)	-	(74,938)
Total accumulated depreciation	(406,927)	(15,309)	10,256	(411,980)
Other capital assets, net	463,063	276,117	-	739,180
Governmental activities capital assets, net	<u>\$ 757,029</u>	<u>\$ 276,117</u>	<u>\$ -</u>	<u>\$ 1,033,146</u>
Business-type activities:				
Land	\$ 54,956	\$ -	\$ -	\$ 54,956
Other capital assets:				
Buildings and systems	3,434,379	1,273,489	-	4,707,868
Equipment	65,767	-	(18,378)	47,389
Total other capital assets at cost	3,500,146	1,273,489	(18,378)	4,755,257
Less accumulated depreciation for:				
Buildings and systems	(1,159,789)	(23,213)	-	(1,183,002)
Equipment	(54,400)	(2,817)	18,378	(38,839)
Total accumulated depreciation	(1,214,189)	(26,030)	18,378	(1,221,841)
Business-type activities capital assets, net	<u>\$ 2,340,913</u>	<u>\$ 1,247,459</u>	<u>\$ -</u>	<u>\$ 3,588,372</u>

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017

(with summarized financial information as of and for the year ended December 31, 2016)

Note 3: Detailed Notes on All Funds (continued)

Capital Assets (continued)

Depreciation expense was charged to functions of the Town as follows during 2017 and 2016:

	2017	2016
Governmental activities:		
Unallocated	\$ 41,010	\$ 15,309
Total - governmental activities	\$ 41,010	\$ 15,309
Business-type activities:		
Water	\$ 19,507	\$ 19,965
Sewer	5,606	6,065
Total - business-type activities	\$ 25,113	\$ 26,030

Long-Term Liabilities

The Town entered into a \$1,370,241 loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) on May 6, 2014. Terms of the loan agreement include principal forgiveness of \$847,920 by CWRPDA to a reduced principal amount of \$552,321 and the loan carries a 1.0% interest rate. Proceeds of the loan are being used for water treatment plant improvements that include filtration and chlorination upgrades, an additional finished water storage tank, source protection of infiltration gallery, and replacement of transmission lines.

The first loan payment of \$1,683, including principal and interest, was paid on November 1, 2015. Remaining principal and interest payments of \$10,220 are due semi-annually on May 1 and November 1 until maturity on May 1, 2045

The loan agreement requires the Town to maintain an operations and maintenance reserve fund equal to three months of system operation and maintenance expenses. The Town has reserved \$51,271 of its Enterprise Fund net position for this purpose as of December 31, 2017. However, the Town is not in compliance with this requirement as it does not have sufficient current working capital to cover the required reserve as of December 31, 2017. Terms of the agreement require the shortfall to be made up in 24 months.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
CWRPDA note payable	\$ 505,805	\$ -	\$ (15,421)	\$ 490,384	\$ 15,576
	\$ 505,805	\$ -	\$ (15,421)	\$ 490,384	\$ 15,576

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 3: Detailed Notes on All Funds (continued)

Long-Term Liabilities (continued)

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type activities:					
CWRPDA note payable	\$ 521,073	\$ -	\$ (15,268)	\$ 505,805	\$ 15,421
	<u>\$ 521,073</u>	<u>\$ -</u>	<u>\$ (15,268)</u>	<u>\$ 505,805</u>	<u>\$ 15,421</u>

The CWRPDA loan agreement also includes a rate covenant whereby the Town's Enterprise Fund's water and sewer system net revenue, after meeting operation and maintenance expenses, is required to be sufficient to cover 110% of the debt service coming due. The following is the Town's calculation of the rate covenant for the year ended December 31, 2017:

System revenues:	
Charges for services:	
Water	\$ 112,368
Sewer	<u>102,356</u>
Total system revenues	<u>214,724</u>
System operating expenses:	
Water	142,435
Sewer	87,763
Less depreciation	<u>(25,113)</u>
Total system operating expenses	<u>205,085</u>
Net system revenues	<u>\$ 9,639</u>
Annual debt service payments	<u>\$ 20,441</u>
Net system revenues / annual debt service payments	<u>47%</u>

The Town's system revenues were not sufficient to meet the rate covenant requirements for the year ended December 31, 2017. Terms of the agreement require a rate study performed by an independent firm unless CWRPDA provides a written waiver.

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 3: Detailed Notes on All Funds (continued)

Long-Term Liabilities (continued)

Debt service requirements as of December 31, 2017 were as follows:

Year	Principal	Interest	Total
2018	\$ 15,576	\$ 4,865	\$ 20,441
2019	15,732	4,709	20,441
2020	15,889	4,551	20,440
2021	16,049	4,392	20,441
2022	16,210	4,231	20,441
2023-2027	83,518	18,685	102,203
2028-2032	87,790	14,413	102,203
2033-2037	92,279	9,924	102,203
2038-2042	96,998	5,205	102,203
2043-2045	50,343	759	51,102
	<u>\$ 490,384</u>	<u>\$ 71,734</u>	<u>\$ 562,118</u>

Governmental Fund Balances

The Town has restricted fund balances as of December 31, 2017 for the following:

- Emergency reserve required by TABOR
- Accumulated conservation trust funds from net proceeds of the Colorado Lottery to be used for parks, recreation facilities, open space, environmental education, and wildlife habitat.

When expenditures are incurred and both restricted and unrestricted resources are available, it is the Town's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

Note 4: Other Information

Police Pension Trust Fund

The Town's police employees are covered by a defined contribution plan recorded as the police pension trust fund. Participants contribute 8% of their compensation and the Town matches. Participants are fully vested in the plan immediately. The Town had no qualifying police employees during 2017 or 2016.

Commitments

Yamcolo Reservoir Storage Agreement

The Town entered into an extension and amendment agreement with the Upper Yampa Water Conservancy District effective July 15, 2011 for 300 acre feet of storage water in the Yamcolo Reservoir for thirty years terminating July 15, 2041. The purchase price for the storage water is subject to an annual CPI increase. The Town paid \$79.53 per acre foot of storage water for the year ended December 31, 2017.

Water Tank Access Road

The Town purchased land for its water tank improvement project in 2015 and agreed to pay the seller an annual access road user fee over the life of the use of the access road. The annual fee, due January 1st, was \$1,639 in 2017 and will increase 3% compounded annually until January 1, 2065 when the annual fee will remain at \$6,575.

TOWN OF YAMPA, COLORADO
Notes to Financial Statements
December 31, 2017
(with summarized financial information as of and for the year ended December 31, 2016)

Note 4: Other Information (continued)

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town maintains commercial insurance for these risks of loss, including workers compensation. Settled claims have not exceeded coverage in the past three fiscal years.

Subsequent Events

The Town has evaluated subsequent events through September 12, 2018, the date these financial statements were available to be issued.

TOWN OF YAMPA, COLORADO
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
Property	\$ 62,924	\$ 63,713	\$ 789
Sales and use	58,000	69,837	11,837
Specific ownership	3,800	5,020	1,220
Intergovernmental	25,600	38,650	13,050
Franchise fees	11,000	11,082	82
Grants	300,000	378,581	78,581
Interest	675	1,724	1,049
Other	3,980	9,419	5,439
Total revenues	465,979	578,026	112,047
Expenditures:			
Legislative:			
Wages and benefits	58,866	55,021	3,845
Law enforcement	7,000	5,988	1,012
Other	1,900	108	1,792
Public works:			
Wages and benefits	50,470	49,988	482
Streets	21,800	18,325	3,475
Repairs and maintenance	3,000	3,245	(245)
Other	5,775	4,088	1,687
Administrative:			
Insurance	8,400	9,839	(1,439)
Building	11,300	7,676	3,624
Professional fees	5,500	4,008	1,492
Treasurer fees	2,000	1,859	141
Office	5,930	5,062	868
Other	9,923	6,236	3,687
Capital	300,000	398,622	(98,622)
Total expenditures	491,864	570,065	(78,201)
Net change in fund balance	(25,885)	7,961	\$ 33,846
Fund balance, beginning of year	617,373	617,373	
Fund balance, end of year	\$ 591,488	\$ 625,334	

TOWN OF YAMPA, COLORADO
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget (Non-US GAAP Basis) and Actual
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance
Revenues:			
Charges for services:			
Water	\$ 125,000	\$ 111,013	\$ (13,987)
Sewer	120,000	100,739	(19,261)
Grants and loans	1,896,000	238,640	(1,657,360)
Interest	450	904	454
Other	3,050	3,246	196
	<u>2,144,500</u>	<u>454,542</u>	<u>(1,689,958)</u>
Total revenues			
Expenditures:			
Wages and benefits	107,420	101,817	5,603
Repairs and maintenance	12,501	18,292	(5,791)
Administrative	20,211	19,651	560
Utilities	20,965	18,964	2,001
Other operating	23,524	22,053	1,471
Water storage	23,448	24,308	(860)
Capital outlay	1,897,640	246,731	1,650,909
Debt service:			
Principal	15,421	15,421	-
Interest	5,020	5,020	-
	<u>2,126,150</u>	<u>472,257</u>	<u>1,653,893</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>\$ 18,350</u>	<u>(17,715)</u>	<u>\$ (36,065)</u>
Reconciliation to US GAAP basis:			
Debt service principal payments		15,421	
Capitalized expenditures		246,731	
Depreciation		<u>(25,113)</u>	
Change in net position - US GAAP basis		219,324	
Net position, beginning of year		<u>2,973,682</u>	
Net position, end of year		<u>\$ 3,193,006</u>	

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

Form # 350-050-36

		City or County:	Town of Yampa
LOCAL HIGHWAY FINANCE REPORT		YEAR ENDING :	
		December 2017	
This Information From The Records Of (example - City of _ or Town of Yampa)		Prepared By:	Janet L. Ray
		Phone:	970-638-4511

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	11,335
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	18,540
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	29
2. General fund appropriations	0	b. Snow and ice removal	6,017
3. Other local imposts (from page 2)	58,199	c. Other	6,123
4. Miscellaneous local receipts (from page 2)	5	d. Total (a. through c.)	12,169
5. Transfers from toll facilities	0	4. General administration & miscellaneous	32,068
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,507
a. Bonds - Original Issues	0	6. Total (1 through 5)	75,619
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	58,204	b. Redemption	0
B. Private Contributions	0	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	17,415	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	75,619	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	75,619

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	75,619	75,619	0	0

Notes and Comments:

