

**CITY OF WALSENBURG
WALSENBURG, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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RECEIVED

Office of the State Auditor

September 30, 2018

CITY OF WALSENBURG, COLORADO

ROSTER OF CITY OFFICIALS
DECEMBER 31, 2017

CITY COUNCIL

James Eccher – Mayor

Dennis Hoyt – Mayor Pro Tem

Charles Montoya – Councilor

James Hudgens – Councilor

Greg Daniels – Councilor

Clint Boehler – Councilor

Don Martinez – Councilor

ADMINISTRATION

James Toth – City Administrator

Mark Ellis – Finance Director

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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City of Walsenburg, Colorado
Management's Discussion and Analysis
December 31, 2017

This discussion and analysis of the City of Walsenburg's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City of Walsenburg's overall financial position continues to be strong, increasing by \$2.35 million (9.36%) during 2017.
- The assets of the City exceeded its liabilities at the close of 2017 by approximately \$25.1 million (net position). Of this amount, approximately \$(149,627) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At December 31, 2017, the combined net position of the City's governmental activities were approximately \$6.69 million, an decrease of approximately \$960,257, (see page 3 – Governmental Activities), and fund balance increased by approximately \$79,273. Of the \$2.4 million fund balance, 70% is held in the streets improvement fund and 20% is held in the capital improvement fund. The fund balance in the general fund increased by \$147,132 in 2017. The Northlands General Improvement District fund balance is \$303,011.
- At December 31, 2017, the combined net position of the City's business-type activities were approximately \$18.39 million, an increase of approximately \$3.31 million (see page 3 – Business-type Activities).
- Total tax revenues, which include real property taxes and on-going sales and use tax remittances, increased by approximately \$142,403 (8%) over 2016 collections.

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

The ***statement of net position*** presents information on all of the City of Walsenburg's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Walsenburg is improving or deteriorating.

The ***statement of activities*** presents information showing how the City of Walsenburg's net position changed during the most recent fiscal year. All changes in net position are reported

as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Walsenburg that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities). The Governmental Activities of the City of Walsenburg include general government, public safety (police & code enforcement), public works administration, streets, planning and economic development, and parks and recreation. The Business-type Activities of the City of Walsenburg include Water, Gas, Sewer and the Water Park.

The government-wide financial statements include only the City of Walsenburg.

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. Some funds are required to be established by State law and bond covenants, however, City Council establishes other funds to help control and manage spendable resources for particular purposes (i.e. Capital Improvement Fund). All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds — Some important basic services are reported in governmental funds, which focus on how spendable resources flow into and out of those funds and the balances left at year-end that are available for future years. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that accompanies the fund financial statements. Walsenburg's government funds are the following: General Fund, Capital Improvement Fund, Streets Improvement Fund, Northlands General Improvement District Fund, Downtown General Improvement District Fund and Conservation Trust Fund.

Proprietary funds — The City maintains governmental proprietary funds as well as the business-type proprietary funds. Financial activity in these funds wholly comprises all relationships between the operational costs for the particular services each fund represents and all fees that are collected to compensate these service expenditures. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For the business-type proprietary funds the City provides several utilities, or enterprise funds. All are reported in the government-wide statements,

but more detail and additional information are provided such as cash flows. Governmental propriety funds include Internal Services. Walsenburg's proprietary funds are the Gas Fund, Water Fund, Sewer Fund, Water Park Fund and Internal Service Fund.

Fiduciary funds — Resources held for the benefit of parties outside the government are reported in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City maintains a Volunteer Firefighters' Pension Fund.

The basic fiduciary fund financial statements can be found within the basic financial statements, just before the Notes to the Financial Statements.

Notes to Financial Statements

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

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for the City's non-major Governmental Funds. Schedules that compare actual revenues and expenditures/expenses to budgeted amounts are also included. Combining and individual fund statements and schedules can be found after the Notes in the financial section. Non-major government funds are the Downtown General Improvement District Fund and Conservation Trust Fund.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by approximately \$25.1 million at the close of 2017. A condensed Statement of Net.

	Governmental Activities		Business-type Activities		Total	
	12/31/2017	12/30/2016	12/31/2017	12/30/2016	12/31/2017	12/30/2016
ASSETS						
Current and Other Assets	\$ 2,752,606	\$ 3,231,225	\$ 5,456,853	\$ 6,318,501	\$ 8,209,459	\$ 9,549,726
Capital Assets	4,787,435	9,462,893	26,135,732	17,930,232	30,923,167	27,393,125
Total Assets	<u>7,540,041</u>	<u>12,694,118</u>	<u>31,592,585</u>	<u>24,248,733</u>	<u>39,132,626</u>	<u>36,942,851</u>
DEFERRED OUTFLOWS						
	-	-	131,853	-	131,853	-
LIABILITIES						
Current Liabilities	313,193	2,250,242	1,551,381	8,323,538	1,864,574	10,573,780
Noncurrent Liabilities	164,946	2,556,910	11,794,563	854,549	11,959,509	3,411,459
Total Liabilities	<u>478,139</u>	<u>4,807,152</u>	<u>13,345,944</u>	<u>9,178,087</u>	<u>13,824,083</u>	<u>13,985,239</u>
DEFERRED INFOWS						
	368,983	233,790	-	-	368,983	233,790
NET POSITION						
Net Investment in Capital Assets	4,661,009	7,281,770	12,977,404	9,696,288	17,638,413	16,978,058
Restricted	2,604,214	2,729,736	4,978,413	1,917,881	7,582,627	4,647,617
Unrestricted	(572,304)	(2,358,330)	422,677	3,456,477	(149,627)	1,098,147
Total Net Position	<u>\$ 6,692,919</u>	<u>\$ 7,653,176</u>	<u>\$ 18,378,494</u>	<u>\$ 15,070,646</u>	<u>\$ 25,071,413</u>	<u>\$ 22,723,822</u>

Restricted net position at the end of 2017 were \$7.58 million and are available only for specific projects as identified in the respective funding documents. Net investment in capital assets totaled \$17.64 million at December 31, 2017, leaving unrestricted net position of \$(149,627), which may be used to meet the City's ongoing obligations to citizens and creditors.

The City continues to maintain positive net position for the primary government, as well as for the governmental and business-type activities.

CHANGES IN NET POSITION

The City's total revenues of \$8.89 million exceeded program expenditures of \$6.37 million. The total increase in net position for 2017 is approximately \$2.35 million.

	Governmental Activities		Business-type Activities		Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
PROGRAM REVENUES						
Charges for Services	\$ 332,216	\$ 67,560	\$ 3,763,274	\$ 3,897,015	\$ 4,095,490	\$ 3,964,575
Operating Grants	489,687	522,011	101,791	-	591,478	522,011
Capital Grants	-	-	2,219,222	-	2,219,222	-
Total Program Revenues	821,903	589,571	6,084,287	3,897,015	6,906,190	4,486,586
GENERAL REVENUES						
Property Taxes	283,905	215,839	-	-	283,905	215,839
Specific Ownership Taxes	26,239	21,613	-	-	26,239	21,613
Sales Taxes	1,225,200	1,194,970	-	-	1,225,200	1,194,970
Franchise Taxes	113,919	122,443	-	-	113,919	122,443
Other Taxes	123,340	75,355	-	-	123,340	75,355
Interest Income	11,143	6,263	117,510	87,153	128,653	93,416
Gain (Loss) on Capital Assets	29,595	-	-	-	29,595	-
Insurance Proceeds	6,553	-	5,923	-	12,476	-
Other Revenues	40,530	417,445	-	110,980	40,530	528,425
Total General Revenues	1,860,424	2,053,928	123,433	198,133	1,983,857	2,252,061
TRANSFERS	(517,440)	(477,721)	517,440	477,721	-	-
Total Revenues & Transfers	2,164,887	2,165,778	6,725,160	4,572,869	8,890,047	6,738,647
PROGRAM EXPENSES						
General Government	558,738	327,410	-	-	558,738	327,410
Public Safety	771,420	798,514	-	-	771,420	798,514
Public Works	645,152	385,680	-	-	645,152	385,680
Culture and Recreation	178,527	136,398	-	-	178,527	136,398
Water Operations	-	-	1,384,781	1,195,232	1,384,781	1,195,232
Sewer Operations	-	-	1,182,329	852,359	1,182,329	852,359
Natural Gas	-	-	1,455,561	1,261,982	1,455,561	1,261,982
Wild Waters (Nonmajor)	-	-	192,190	205,582	192,190	205,582
Noncapitalized Capital Outlay	-	647	-	-	-	647
Interest	223	-	-	-	223	-
Total Program Expenses	2,154,060	1,648,649	4,214,861	3,515,155	6,368,921	5,163,804
CHANGE IN NET POSITION	10,827	517,129	2,510,299	1,057,714	2,521,126	1,574,843
Net Position, Beginning	7,653,176	7,136,047	15,070,645	14,012,932	22,723,821	21,148,979
Prior Period Restatement	(971,084)	-	797,550	-	(173,534)	-
Net Position, Beginning (as Restated)	6,682,092	7,136,047	15,868,195	14,012,932	22,550,287	21,148,979
NET POSITION, ENDING	\$ 6,692,919	\$ 7,653,176	\$ 18,378,494	\$ 15,070,646	\$ 25,071,413	\$ 22,723,822

Governmental Activities

Governmental activities decreased Walsenburg's net position by approximately \$960,257 during the year 2017. This was largely due to a prior period restatement. See note 12 for further details.

Business-type Activities

Business-type activities increased Walsenburg's net position by \$3.30 million during the year 2017. Cash expenses in the Water Park exceeded revenue, and this fund depends on transfers in to support operations. The gas, water and sewer funds generated net operating income and an increase in net position before fund transfers.

Budgetary Highlights

The City's budgets are prepared in accordance with the Colorado Revised Statutes. Differences between the original and final budgets result from transfers between departments and supplemental appropriations made during the year. The transfers between departments are generally the result of the City's budget management process which monitors department budgets and the budget in total. The City Council, upon request of the City Administrator, may transfer funds from departments with anticipated budget surpluses to those with anticipated budget shortfalls. Transfers of this type have no impact on the budget in total.

- \$175,000 transferred to the General Fund.
- \$279,834 transferred to the Water Fund
- \$237,606 transferred to the Sewer Fund.
- \$103,000 transferred to the Internal Service Fund.

General Fund revenues in 2017 were less than the anticipated budget by \$107,635 .

Capital Asset and Debt Administration

Capital Assets - The City of Walsenburg invested approximately \$4,661,009 and \$12,977,404 in capital assets for its governmental-type and business-type activities, respectively, during the year ended December 31, 2017. The City's total investment in land, buildings, equipment and vehicles is \$29.47 million city-wide after applying depreciation.

The City depreciates all capital assets except land utilizing straight-line depreciation applied to the useful life of each respective asset.

Governmental Activities	12/31/16 Audit	Restatements	12/31/16 Restated	Additions	Deletions	12/31/17 Balance
Capital Assets not being Depreciated						-
Land	\$ 2,015,386	\$ -	\$ 2,015,386	\$ -	\$ -	2,015,386
Construction in Progress	3,940,268	(3,940,268)	-	-	-	-
Total Capital Assets not being Depreciated	5,955,654	(3,940,268)	2,015,386	-	-	2,015,386
Capital Assets being Depreciated						
Buildings and Improvements	1,736,444	(5,474)	1,730,970	-	-	1,730,970
Infrastructure	3,155,406	(679,067)	2,476,339	-	-	2,476,339
Equipment and Furniture	788,149	(68,673)	719,476	140,190	(8,199)	851,467
Vehicles	30,000	-	30,000	25,605	(30,000)	25,605
Software	20,595	-	20,595	-	-	20,595
Total Capital Assets being Depreciated	5,730,594	(753,214)	4,977,380	165,795	(38,199)	5,104,976
Less: Accumulated Depreciation						
Buildings and Improvements	(1,216,664)	(275)	(1,216,939)	(34,277)	-	(1,251,216)
Infrastructure	(595,474)	35,393	(560,081)	(61,909)	-	(621,990)
Equipment and Furniture	(386,018)	16,173	(369,845)	(69,839)	2,266	(437,418)
Vehicles	(4,600)	-	(4,600)	(4,707)	7,600	(1,707)
Software	(20,596)	1	(20,595)	-	-	(20,595)
Total Accumulated Depreciation	(2,223,352)	51,292	(2,172,060)	(170,732)	9,866	(2,332,926)
Net Capital Assets	\$ 9,462,896	\$ (4,642,190)	\$ 4,820,706	\$ (4,937)	\$ (28,333)	\$ 4,787,436
Business-type Activities						
Capital Assets not being Depreciated						
Land, Easements and Water Rights	\$ 2,293,765	\$ 295,000	\$ 2,588,765	\$ -	\$ -	2,588,765
Construction in Progress	146,284	4,254,166	4,400,450	2,907,272	(6,423,879)	883,843
Total Capital Assets not being Depreciated	2,440,049	4,549,166	6,989,215	2,907,272	(6,423,879)	3,472,608
Capital Assets being Depreciated						
Buildings and Improvements	12,865,089	(295,000)	12,570,089	23,676	-	12,593,765
Utility Plant and Improvements	15,855,411	-	15,855,411	6,423,879	-	22,279,290
Equipment and Furniture	1,046,409	-	1,046,409	59,297	(31,110)	1,074,596
Vehicles	59,060	37,950	97,010	79,500	-	176,510
Total Capital Assets being Depreciated	29,825,969	(257,050)	29,568,919	6,586,352	(31,110)	36,124,161
Less: Accumulated Depreciation						
Buildings and Improvements	(9,116,669)	11,437	(9,105,232)	(119,457)	-	(9,224,689)
Utility Plant and Improvements	(4,675,408)	-	(4,675,408)	(404,316)	-	(5,079,724)
Equipment and Furniture	(544,630)	-	(544,630)	(64,267)	30,000	(578,897)
Vehicles	(10,496)	-	(10,496)	(16,699)	-	(27,195)
Total Accumulated Depreciation	(14,347,203)	11,437	(14,335,766)	(604,739)	30,000	(14,910,505)
Net Capital Assets	\$ 17,918,815	\$ 4,303,553	\$ 22,222,368	\$ 8,888,885	\$ (6,424,989)	\$ 24,686,264

Long-term Debt - At the end of 2017, the City has long-term debt totaling \$11,96 million, of which \$164,946 is applicable to governmental activities, and \$11,79 million applies to business-type activities.

	12/31/16 Balance	Restatements	Advances	Refunding	Payments	12/31/17 Balance	Current Portion	Interest Expense
Governmental Activities								
Capital lease obligations	\$ 154,015	\$ 6,615	\$ -	\$ -	\$ 34,203	\$ 126,427	\$ 31,654	\$ 3,657
Compensated absences	69,119	-	-	-	30,599	38,520	-	-
Notes payable, NBH - construction loan	2,027,108	(2,027,108)	-	-	-	-	-	-
Total Governmental Activities	\$ 2,250,242	\$ (2,020,493)	\$ -	\$ -	\$ 64,802	\$ 164,947	\$ 31,654	\$ 3,657
Business-type Activities								
Notes payable, NBH - construction loan	\$ -	\$ 2,027,108	\$ 1,670,892	\$ -	\$ 3,698,000	\$ -	\$ -	\$ 42,884
Revenue bonds:								
2007 Revenue Bonds	8,180,000	-	-	8,180,000	-	-	-	152,607
2017A Revenue Bonds	-	-	3,626,000	-	33,401	3,592,599	51,540	68,015
2017B Revenue Bonds	-	-	72,000	-	754	71,246	1,157	1,104
2017C Revenue Bonds	-	-	8,045,000	-	-	8,045,000	437,035	66,279
Bond premiums	53,944	-	-	53,944	-	-	-	-
Compensated absences	89,594	-	-	-	3,876	85,718	-	-
Total Business-type Activities	\$ 8,323,538	\$ 2,027,108	\$ 13,413,892	\$ 8,233,944	\$ 3,736,031	\$ 11,794,563	\$ 489,732	\$ 330,889

Other Matters

Factors which are expected to have a significant impact on the City's 2018 budget include:

1. Tax revenues will provide a favorable result.

Sales taxes collections in 2017 increased 2.53% over 2016 receipts due the improving economy in surrounding areas and due to the increased travel through the City. The City continues to seek additional revenues to meet the needs of its citizens.

2. The City is obliged to pay \$721,900 in principal and interest on bonds in the Water and Sewer Funds.

Water and sewer rates were adjusted in 2011 to account for the repayment of the construction bonds so this payment should not cause a major impact; however, maintenance and repair of the aging infrastructure remain a major concern. The City continues to monitor and adjust water and sewer rates as necessary. The City restructured the financing for the bonds in the Water and Sewer Funds in 2017 to take advantage of lower interest rates and reduce interest expense going forward.

3. *The City Lake Dam is under capacity restriction by the State Dam Engineer. The City is expected to reconstruct the dam beginning in October of 2018. City Lake is the main water storage facility that feeds the water treatment plant for the City's potable water supply.*

The City has secured funding from the Colorado Water Conservation Board (CWCB) for the reconstruction and expansion of City Lake to secure the City's potable water supply and protect its storage rights. Funding is in the form of a loan of \$6.8 million and a grant of \$800,000. The loan is for a 30-year term at a 2% interest rate. Repayment of the loan will not begin until construction is complete in mid-2019. The loan will be repaid through the current water fund revenues. The City does not anticipate an increase in water rates or debt service fees in order to repay the loan to CWCB.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the City Administrator at City of Walsenburg, 525 South Albert Street, Walsenburg, CO 81089, or at cityadmin@cityofwalsenburg.com.

FINANCIAL SECTION

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

City Council
City of Walsenburg
Walsenburg, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Auditors' 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.

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 City of Walsenburg, 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 conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, the 2016 financial statements have been restated to reflect a reclassification of various items as further described in Note 12. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M8 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 an opinion on the financial statements as a whole. The combining and budgetary comparison statements and schedules listed as other supplementary information pages 42-56 are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2018 on our consideration of the City of Walsenburg's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Walsenburg's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* pages 57-58 are presented for purposes of legal compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Holscher, Maybury + Company, LLC

Englewood, Colorado
September 28, 2018

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the City's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of all funds and activities as of December 31, 2017.

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CITY OF WALSENBURG, COLORADO

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 1,994,813	\$ 3,716,998	\$ 5,711,811
Restricted Cash and Investments	165,436	710,000	875,436
Receivables			
Property Tax Receivable	212,395	-	212,395
Intergovernmental Receivables	-	502,023	502,023
Utility Receivable	-	539,214	539,214
Cash with Fiscal Agent	23,670	-	23,670
Accounts Receivable	241,706	1,885	243,591
Internal Balances	110,022	(110,022)	-
Inventory	-	85,999	85,999
Prepaid Expenses	4,564	10,756	15,320
Total Current Assets	<u>2,752,606</u>	<u>5,456,853</u>	<u>8,209,459</u>
Noncurrent Assets			
Capital Assets not being Depreciated	2,015,386	3,177,609	5,192,995
Capital Assets being Depreciated	5,104,976	36,419,163	41,524,139
Accumulated Depreciation	(2,332,927)	(14,910,523)	(17,243,450)
Loans Receivable	-	1,264,334	1,264,334
Other Noncurrent Assets	-	185,149	185,149
Total Noncurrent Assets	<u>4,787,435</u>	<u>26,135,732</u>	<u>30,923,167</u>
TOTAL ASSETS	<u>7,540,041</u>	<u>31,592,585</u>	<u>39,132,626</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
Deferred Charge on Refunding	-	131,853	131,853
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 7,540,041</u>	<u>\$ 31,724,438</u>	<u>\$ 39,264,479</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 178,566	\$ 700,286	\$ 878,852
Accrued Liabilities	114,792	-	114,792
Accrued Salaries and Benefits	5,882	14,425	20,307
Retainage Payable	13,953	-	13,953
Deposits and Escrow	-	816,248	816,248
Accrued Interest Payable	-	20,422	20,422
Total Current Liabilities	<u>313,193</u>	<u>1,551,381</u>	<u>1,864,574</u>
Noncurrent Liabilities			
Due within one year	31,654	489,733	521,387
Due in more than one year	133,292	11,304,830	11,438,122
Total Noncurrent Liabilities	<u>164,946</u>	<u>11,794,563</u>	<u>11,959,509</u>
TOTAL LIABILITIES	<u>478,139</u>	<u>13,345,944</u>	<u>13,824,083</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	212,395	-	212,395
Other Deferred Inflows	156,588	-	156,588
TOTAL DEFERRED INFLOWS	<u>368,983</u>	<u>-</u>	<u>368,983</u>
NET POSITION			
Net Investment in Capital Assets	4,661,009	12,977,404	17,638,413
Restricted Net Position	2,604,214	4,978,413	7,582,627
Unrestricted Net Position	(572,304)	422,677	(149,627)
TOTAL NET POSITION	<u>6,692,919</u>	<u>18,378,494</u>	<u>25,071,413</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 7,540,041</u>	<u>\$ 31,724,438</u>	<u>\$ 39,264,479</u>

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

CITY OF WALSENBURG

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		PROGRAM REVENUES		
		CHARGES FOR	GRANTS AND	CAPITAL
	EXPENSES	SERVICES	CONTRIBUTIONS	GRANTS
FUNCTIONS/PROGRAMS				
Government Activities				
Current:				
General Government	\$ 558,738	\$ 307,221	\$ 121,349	\$ -
Public Safety	771,420	3,933	-	-
Public Works	645,152	21,062	353,845	-
Culture and Recreation	178,527	-	14,493	-
Interest on Debt	223	-	-	-
TOTAL GOVERNMENT ACTIVITIES	<u>2,154,060</u>	<u>332,216</u>	<u>489,687</u>	<u>-</u>
Business-type Activities				
Current:				
Natural Gas	1,455,561	1,209,529	25,000	1,293
Water	1,384,781	1,359,785	76,791	14,767
Sewer	1,182,329	1,134,713	-	2,203,162
Wild Waters (Nonmajor)	192,190	59,247	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,214,861</u>	<u>3,763,274</u>	<u>101,791</u>	<u>2,219,222</u>
TOTAL GOVERNMENT	<u>\$ 6,368,921</u>	<u>\$ 4,095,490</u>	<u>\$ 591,478</u>	<u>\$ 2,219,222</u>
GENERAL REVENUES				
Property Taxes				
Specific Ownership Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest Income				
Gain (Loss) on Disposal of Capital Assets				
Insurance Proceeds				
Other Revenues				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION - Beginning				
Prior Period Restatement				
NET POSITION - Beginning (as Restated)				
NET POSITION - Ending				

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
\$ (130,168)	\$ -	\$ (130,168)
(767,487)	-	(767,487)
(270,245)	-	(270,245)
(164,034)	-	(164,034)
(223)	-	(223)
<u>(1,332,157)</u>	<u>-</u>	<u>(1,332,157)</u>
-	(219,739)	(219,739)
-	66,562	66,562
-	2,155,546	2,155,546
-	(132,943)	(132,943)
-	<u>1,869,426</u>	<u>1,869,426</u>
<u>(1,332,157)</u>	<u>1,869,426</u>	<u>537,269</u>
283,905	-	283,905
26,239	-	26,239
1,225,200	-	1,225,200
113,919	-	113,919
123,340	-	123,340
11,143	117,510	128,653
29,595	-	29,595
6,553	5,923	12,476
40,530	-	40,530
<u>(517,440)</u>	<u>517,440</u>	<u>-</u>
<u>1,342,984</u>	<u>640,873</u>	<u>1,983,857</u>
<u>10,827</u>	<u>2,510,299</u>	<u>2,521,126</u>
7,653,176	15,070,645	22,723,821
<u>(971,084)</u>	<u>797,550</u>	<u>(173,534)</u>
<u>6,682,092</u>	<u>15,868,195</u>	<u>22,550,287</u>
<u>\$ 6,692,919</u>	<u>\$ 18,378,494</u>	<u>\$ 25,071,413</u>

CITY OF WALSENBURG, COLORADO

BALANCE SHEET**GOVERNMENTAL FUNDS**

DECEMBER 31, 2017

	General Fund	SPECIAL REVENUE FUND		CAPITAL PROJECT FUNDS	
		Northlands Gen Imp Dist	Capital Improvement	Street Improvement	
	Fund	Fund	Fund	Fund	
ASSETS AND DEFERRED OUTFLOWS					
ASSETS					
Current Assets					
Cash and Investments					
Cash and Investments	\$ 200	\$ 287,995	\$ -	\$ 1,679,859	
Restricted Cash and Investments	-	165,436	-	-	
Receivables					
Property Tax Receivable	210,547	-	-	-	
Cash with Fiscal Agent	23,670	-	-	-	
Accounts Receivable	114,550	6,168	61,899	61,899	
Internal Balances	(43,714)	-	397,199	84,911	
Prepaid Expenses	4,564	-	-	-	
TOTAL ASSETS	\$ 309,817	\$ 459,599	\$ 459,098	\$ 1,826,669	
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 23,304	\$ -	\$ -	\$ 152,397	
Accrued Liabilities	114,792	-	-	-	
Accrued Salaries and Benefits	5,882	-	-	-	
Retainage Payable	-	-	-	13,953	
TOTAL LIABILITIES	143,978	-	-	166,350	
DEFERRED INFLOWS OF FINANCIAL RESOURCES					
Deferred Property Taxes	210,547	-	-	-	
Other Deferred Inflows	-	156,588	-	-	
TOTAL DEFERRED INFLOWS	210,547	156,588	-	-	
FUND BALANCE					
Nonspendable Fund Balance	4,564	-	-	-	
Restricted Fund Balance	158,000	303,011	459,098	1,660,319	
Unassigned Fund Balance	(207,272)	-	-	-	
TOTAL FUND BALANCE	(44,708)	303,011	459,098	1,660,319	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 309,817	\$ 459,599	\$ 459,098	\$ 1,826,669	

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

Other		Total
Funds		2017
\$	26,759	\$ 1,994,813
	-	165,436
	1,848	212,395
	-	23,670
	(2,810)	241,706
	(163)	438,233
	-	4,564
\$	25,634	\$ 3,080,817

\$	-	\$ 175,701
	-	114,792
	-	5,882
	-	13,953
	-	310,328
	1,848	212,395
	-	156,588
	1,848	368,983
	-	4,564
	23,786	2,604,214
	-	(207,272)
	23,786	2,401,506
\$	25,634	\$ 3,080,817

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CITY OF WALSENBURG, COLORADO

RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION
DECEMBER 31, 2017

Fund Balance - Governmental Funds		\$ 2,401,506
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds		
Capital assets, not being depreciated	\$ 2,015,386	
Capital assets, being depreciated	4,704,887	
Accumulated depreciation	<u>(2,258,506)</u>	4,461,767
Internal Service operations primarily benefit Governmental Activities		
Internal Service Fund Net Position		(128,472)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.		
Capital leases payable	(3,362)	
Accrued compensated absences	<u>(38,520)</u>	<u>(41,882)</u>
Total Net Position - Governmental Activities		<u>\$ 6,692,919</u>

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

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue			
	Funds		Capital Projects Funds	
	Northlands Gen	Capital	Street	
	Imp Dist	Improvement	Improvement	
General				
Fund	Fund	Fund	Fund	
REVENUES				
Taxes	\$ 830,411	\$ 123,340	\$ 408,400	\$ 408,400
Intergovernmental Revenues	456,769	-	18,261	-
Licenses and Permits	68,561	-	-	-
Fines and Forfeits	3,379	-	-	-
Internal Charges	229,258	-	-	-
Charges for Services	2,775	28,244	-	-
Investment Earnings	573	3,233	1,703	3,740
Other Revenues	56,839	20,000	-	-
TOTAL REVENUES	1,648,565	174,817	428,364	412,140
EXPENDITURES				
Current:				
General Government	318,712	122,789	-	-
Public Safety	771,420	-	-	-
Public Works	296,317	-	-	34,476
Parks, Recreation and Other	153,100	-	-	-
Capital Outlay	26,972	-	42,849	240,096
Debt Service	3,476	-	-	-
TOTAL EXPENDITURES	1,569,997	122,789	42,849	274,572
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	78,568	52,028	385,515	137,568
OTHER FINANCING SOURCES (USES)				
Transfers (In)	175,000	24,358	-	-
Transfers (Out)	-	-	(644,798)	(175,000)
TOTAL OTHER FINANCING SOURCES (USES)	175,000	24,358	(644,798)	(175,000)
NET CHANGE IN FUND BALANCE - GAAP BASIS	253,568	76,386	(259,283)	(37,432)
FUND BALANCE, BEGINNING	(191,840)	(1,530,424)	718,381	1,697,751
Prior Period Restatement	(106,436)	1,757,049	-	-
FUND BALANCE, BEGINNING (As Restated)	(298,276)	226,625	718,381	1,697,751
FUND BALANCE, ENDING	\$ (44,708)	\$ 303,011	\$ 459,098	\$ 1,660,319

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

Other Funds	Total 2017
\$ 2,052	\$ 1,772,603
14,493	489,523
-	68,561
-	3,379
-	229,258
-	31,019
1,896	11,145
-	76,839
<u>18,441</u>	<u>2,682,327</u>

500	442,001
-	771,420
-	330,793
-	153,100
-	309,917
-	3,476
<u>500</u>	<u>2,010,707</u>
<u>17,941</u>	<u>671,620</u>

-	199,358
-	(819,798)
-	(620,440)
<u>17,941</u>	<u>51,180</u>
5,845	699,713
-	1,650,613
<u>5,845</u>	<u>2,350,326</u>
<u>\$ 23,786</u>	<u>\$ 2,401,506</u>

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CITY OF WALSENBURG, COLORADO

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Change in Fund Balance - Governmental Funds	\$	51,180
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level		
Capitalized Asset Purchases	25,605	
Depreciation Expense	<u>(129,138)</u>	(103,533)
Internal Service operations primarily benefit Governmental Activities		
Change in net position - Internal Service Funds		29,328
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level		
Principal payments on capital leases	3,253	
Change in accrued compensated absences	<u>30,599</u>	<u>33,852</u>
Change in Net Position - Governmental Activities	\$	<u>10,827</u>

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

CITY OF WALSENBURG, COLORADO

STATEMENT OF NET POSITION**PROPRIETARY FUNDS**

DECEMBER 31, 2017

	Business-type Activities			
	Natural Gas	Water	Sewer	Wild Waters (Nonmajor)
	Fund	Fund	Fund	Fund
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash and Investments	\$ 1,717,907	\$ 1,169,736	\$ 829,355	\$ -
Restricted Cash and Investments	-	333,700	376,300	-
Receivables				
Intergovernmental Receivables	20,552	-	481,471	-
Utility Receivable	267,656	128,545	143,013	-
Accounts Receivable	413	1,440	32	-
Internal Balances	142,883	476,860	(388,026)	(341,739)
Inventory	85,999	-	-	-
Prepaid Expenses	1,148	7,119	1,735	754
Total Current Assets	<u>2,236,558</u>	<u>2,117,400</u>	<u>1,443,880</u>	<u>(340,985)</u>
Noncurrent Assets				
Capital Assets not being depreciated	35,500	2,849,061	219,947	73,101
Capital Assets being depreciated	8,355,907	12,738,111	13,012,632	2,312,513
Accumulated Depreciation	(6,624,841)	(6,446,559)	(1,191,038)	(648,085)
Loans Receivable	-	1,264,334	-	-
Other Noncurrent Assets	1,782	36,202	132,080	15,085
Total Noncurrent Assets	<u>1,768,348</u>	<u>10,441,149</u>	<u>12,173,621</u>	<u>1,752,614</u>
TOTAL ASSETS	<u>4,004,906</u>	<u>12,558,549</u>	<u>13,617,501</u>	<u>1,411,629</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES				
Deferred Charge on Refunding	-	62,453	69,400	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,004,906</u>	<u>\$ 12,621,002</u>	<u>\$ 13,686,901</u>	<u>\$ 1,411,629</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 81,463	\$ 67,986	\$ 550,429	\$ 408
Accrued Salaries and Benefits	4,894	4,867	4,664	-
Deposits and Escrow	709,067	107,181	-	-
Accrued Interest Payable	-	8,823	11,599	-
Total Current Liabilities	<u>795,424</u>	<u>188,857</u>	<u>566,692</u>	<u>408</u>
Noncurrent Liabilities				
Due within one year	-	205,407	284,326	-
Due in more than one year	25,801	3,606,359	7,672,670	-
Total Noncurrent Liabilities	<u>25,801</u>	<u>3,811,766</u>	<u>7,956,996</u>	<u>-</u>
TOTAL LIABILITIES	<u>821,225</u>	<u>4,000,623</u>	<u>8,523,688</u>	<u>408</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
NET POSITION				
Net Investment in Capital Assets	1,766,566	5,359,463	4,113,846	1,737,529
Restricted Net Position	3,791,728	1,186,685	-	-
Unrestricted Net Position	(2,374,613)	2,074,231	1,049,367	(326,308)
TOTAL NET POSITION	<u>3,183,681</u>	<u>8,620,379</u>	<u>5,163,213</u>	<u>1,411,221</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 4,004,906</u>	<u>\$ 12,621,002</u>	<u>\$ 13,686,901</u>	<u>\$ 1,411,629</u>

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

	Govt Act	
Total Enterprise	Internal	Total
Funds	Service Funds	2017
\$ 3,716,998	\$ -	\$ 3,716,998
710,000	-	710,000
502,023	-	502,023
539,214	-	539,214
1,885	-	1,885
(110,022)	(328,211)	(438,233)
85,999	-	85,999
10,756	-	10,756
<u>5,456,853</u>	<u>(328,211)</u>	<u>5,128,642</u>
3,177,609	-	3,177,609
36,419,163	400,089	36,819,252
(14,910,523)	(74,421)	(14,984,944)
1,264,334	-	1,264,334
185,149	-	185,149
<u>26,135,732</u>	<u>325,668</u>	<u>26,461,400</u>
31,592,585	(2,543)	31,590,042
131,853	-	131,853
<u>\$ 31,724,438</u>	<u>\$ (2,543)</u>	<u>\$ 31,721,895</u>
\$ 700,286	\$ 2,865	\$ 703,151
14,425	-	14,425
816,248	-	816,248
20,422	-	20,422
<u>1,551,381</u>	<u>2,865</u>	<u>1,554,246</u>
489,733	31,654	521,387
<u>11,304,830</u>	<u>91,410</u>	<u>11,396,240</u>
<u>11,794,563</u>	<u>123,064</u>	<u>11,917,627</u>
<u>13,345,944</u>	<u>125,929</u>	<u>13,471,873</u>
12,977,404	202,604	13,180,008
4,978,413	-	4,978,413
<u>422,677</u>	<u>(331,076)</u>	<u>91,601</u>
<u>18,378,494</u>	<u>(128,472)</u>	<u>18,250,022</u>
<u>\$ 31,724,438</u>	<u>\$ (2,543)</u>	<u>\$ 31,721,895</u>

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities				
	Natural Gas	Water	Sewer	Wild Waters (Nonmajor)	Total Enterprise
	Fund	Fund	Fund	Fund	Funds
Operating Revenues					
Utility Charges	\$ 1,166,993	\$ 1,224,357	\$ 1,029,051	\$ -	\$ 3,420,401
Recreation Charges	-	-	-	59,130	59,130
Rents	-	32,599	-	-	32,599
Internal Charges	-	-	101,624	-	101,624
Other Charges for Services	42,536	102,829	4,038	117	149,520
Total Revenues	1,209,529	1,359,785	1,134,713	59,247	3,763,274
Operating Expenses					
Personnel Services	326,431	293,162	254,143	57,151	930,887
Commodity Charges	657,746	65	-	-	657,811
Administrative/Office Expenses	16,551	11,156	12,361	1,838	41,906
Insurance	17,303	18,516	33,004	1,701	70,524
Internal Charges	74,475	91,911	62,872	-	229,258
Operating Supplies	13,885	99,278	43,713	33,978	190,854
Professional Fees/Contracted Services	153,100	333,437	181,821	1,151	669,509
Repairs and Maintenance	45,865	48,771	36,596	1,621	132,853
Travel and Training	4,861	9,496	7,305	-	21,662
Telephone and Utilities	20,420	44,206	130,481	33,243	228,350
Other Operating Expenses	927	31,387	31,466	1,120	64,900
Depreciation Expense	98,613	273,495	172,244	60,387	604,739
Other Capital Outlay	25,701	27,528	30,690	-	83,919
Total Expenditures	1,455,878	1,282,408	996,696	192,190	3,927,172
Operating Income (Loss)	(246,349)	77,377	138,017	(132,943)	(163,898)
Other Income (Expense)					
Intergovernmental Revenue	25,000	76,791	-	-	101,791
Investment Earnings	12,821	97,295	7,394	-	117,510
Other Revenue	-	5,923	-	-	5,923
Interest Expense	317	(102,373)	(185,633)	-	(287,689)
Gain (Loss) on Sale of Assets	-	-	-	-	-
Total Other Income (Expense)	38,138	77,636	(178,239)	-	(62,465)
Net Income (Loss) before Transfers	(208,211)	155,013	(40,222)	(132,943)	(226,363)
Transfers					
Transfers In/(Out)	-	279,834	237,606	-	517,440
Net Income (Loss)	(208,211)	434,847	197,384	(132,943)	291,077
Contributed Capital					
Plant Investment Fees	1,293	14,767	23,100	-	39,160
Intergovernmental Revenue	-	-	2,180,062	-	2,180,062
Change in Net Position	(206,918)	449,614	2,400,546	(132,943)	2,510,299
Net Position, Beginning	3,319,460	7,938,886	2,279,681	1,532,618	15,070,645
Prior Period Restatement	71,139	231,879	482,986	11,546	797,550
Net Position, Beginning (As Restated)	3,390,599	8,170,765	2,762,667	1,544,164	15,868,195
Net Position, Ending	\$ 3,183,681	\$ 8,620,379	\$ 5,163,213	\$ 1,411,221	\$ 18,378,494

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

Govt Activities			
Internal			
Service		Total	
Funds		2017	
\$	-	\$	3,420,401
	-		59,130
	-		32,599
	-		101,624
	-		149,520
	-		3,763,274
	-		930,887
	-		657,811
	-		41,906
311			70,835
	-		229,258
	-		190,854
	-		669,509
	-		132,853
	-		21,662
	-		228,350
	-		64,900
41,594			646,333
	-		83,919
41,905			3,969,077
(41,905)			(205,803)
	-		101,791
	-		117,510
	-		5,923
(3,434)			(291,123)
(28,333)			(28,333)
(31,767)			(94,232)
(73,672)			(300,035)
103,000			620,440
29,328			320,405
	-		39,160
	-		2,180,062
29,328			2,539,627
(157,800)			14,912,845
	-		797,550
(157,800)			15,710,395
\$ (128,472)		\$	18,250,022

CITY OF WALSENBURG

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities				Total Enterprise Funds
	Natural Gas Fund	Water Fund	Sewer Fund	Wild Waters (Nonmajor) Fund	
Cash Flows From Operating Activities:					
Cash Received from Customers	\$ 1,378,306	\$ 1,496,794	\$ 1,137,719	\$ 59,247	\$ 4,072,066
Cash Paid to Suppliers	(1,031,610)	(863,612)	(512,057)	(73,435)	(2,480,714)
Cash Paid to or on Behalf of Employees	(321,636)	(266,030)	(257,103)	(55,824)	(900,593)
Net Cash Provided by Operating Activities	25,060	367,152	368,559	(70,012)	690,759
Cash Flows From Capital and Related Financing Activities:					
Tap Fees Received	1,293	14,767	23,100	-	39,160
Loan Proceeds	-	3,781,150	9,632,742	-	13,413,892
Debt Principal Payments	-	(3,874,703)	(8,037,452)	-	(11,912,155)
Grant Proceeds	4,448	76,791	1,999,207	-	2,080,446
Interest Payments	-	(109,653)	(191,120)	-	(300,773)
Proceeds of Capital Asset Sales	-	-	-	-	-
Acquisition of Capital Assets	(23,676)	(899,108)	(3,870,581)	-	(4,793,365)
Cash Flows Used by Capital and Related Financing Activities:	(17,935)	(1,010,756)	(444,104)	-	(1,472,795)
Cash Flows (Uses) From Noncapital Financing Activities:					
Cash from Other Funds	34,382	(24,045)	547,971	70,012	628,320
Other Revenues (Expense)	-	5,923	-	-	5,923
Net Cash Provided (Used) by Noncapital Financing Activities:	34,382	(18,122)	547,971	70,012	634,243
Cash Flows (Uses) From Investing Activities:					
Proceeds from Loans Receivable	-	78,359	-	-	78,359
Interest Received	12,821	108,454	7,394	-	128,669
Net Cash Used by Investing Activities	12,821	186,813	7,394	-	207,028
Net Increase (Decrease) in Cash	54,328	(474,913)	479,820	-	59,235
Cash - Beginning	1,663,579	1,978,349	725,835	-	4,367,763
Cash - Ending	<u>\$ 1,717,907</u>	<u>\$ 1,503,436</u>	<u>\$ 1,205,655</u>	<u>\$ -</u>	<u>\$ 4,426,998</u>
Cash and Investments	\$ 1,717,907	\$ 1,169,736	\$ 829,355	\$ -	\$ 3,716,998
Restricted Cash and Investments	-	333,700	376,300	-	710,000
Total	<u>\$ 1,717,907</u>	<u>\$ 1,503,436</u>	<u>\$ 1,205,655</u>	<u>\$ -</u>	<u>\$ 4,426,998</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:					
Operating Income (Loss)	\$ (246,349)	\$ 77,377	\$ 138,017	\$ (132,943)	\$ (163,898)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Expense	98,613	273,495	172,244	60,387	604,739
Changes in Assets and Liabilities Related to Operations					
(Increase) Decrease in:					
Utility Receivable	27,026	44,164	(2,566)	-	68,624
Accounts Receivable	6,914	87,319	5,572	-	99,805
Inventory	(12,071)	-	-	8,138	(3,933)
Prepaid Expenses	(261)	5,105	(995)	(112)	3,737
Other Current Assets	-	160	-	-	160
Other Noncurrent Assets	(1,603)	(27,840)	(76,358)	(11,354)	(117,155)
(Increase) Decrease in:					
Accounts Payable	21,662	(91,364)	139,582	5,872	75,752
Accrued Liabilities	(6,779)	(3,104)	(3,103)	-	(12,986)
Accrued Salaries and Benefits	(347)	(121)	(106)	-	(574)
Deposits and Escrow	134,837	5,526	-	-	140,363
Accrued Compensated Absences	3,418	(3,565)	(3,728)	-	(3,875)
Total Adjustments	271,409	289,775	230,542	62,931	-
Net Cash Used for Operating Activities	<u>\$ 25,060</u>	<u>\$ 367,152</u>	<u>\$ 368,559</u>	<u>\$ (70,012)</u>	<u>\$ 690,759</u>

The accompanying notes are an integral part of these financial statements

Govt Activities			
Internal			
Service		Total	
Funds		2017	
\$	-	\$	4,072,066
	2,553		(2,478,161)
	-		(900,593)
	2,553		693,312
	-		39,160
	-		13,413,892
	(30,950)		(11,943,105)
	-		2,080,446
	(3,434)		(304,207)
	(38,200)		(38,200)
	(101,990)		(4,895,355)
	(174,574)		(1,647,369)
	172,021		800,341
	-		5,923
	172,021		806,264
			78,359
	-		128,669
	-		207,028
	-		59,235
	-		4,367,763
\$	-	\$	4,426,998
\$	-	\$	3,716,998
	-		710,000
\$	-	\$	4,426,998
\$	(41,905)	\$	(205,803)
	41,594		646,333
	-		68,624
	-		99,805
	-		(3,933)
	-		3,737
	-		160
	-		(117,155)
	2,864		78,616
	-		(12,986)
	-		(574)
	-		140,363
	-		(3,875)
	44,458		899,115
\$	2,553	\$	693,312

CITY OF WALSENBURG, COLORADO

STATEMENT OF FIDUCIARY NET POSITION
VOLUNTEER FIREMENS' PENSION FUND
DECEMBER 31, 2017

	Volunteer Firemens' Pension Fund
ASSETS	
Cash and Investments	<u>\$ 38,701</u>
NET POSITION	
Restricted Net Position	<u>\$ 38,701</u>

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
VOLUNTEER FIREMENS' PENSION FUND
DECEMBER 31, 2017

	Volunteer Firemens' Pension Fund
ADDITIONS	
Earnings on Investments	\$ 412
DEDUCTIONS	
Benefits Paid	<u>4,500</u>
CHANGE IN NET POSITION	(4,088)
BEGINNING NET POSITION	<u>42,789</u>
ENDING NET POSITION	<u>\$ 38,701</u>

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Walsenburg, Colorado (the City), a municipal corporation, as defined by Colorado Revised Statutes (CRS), was established under CRS. An elected Mayor and City Council are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The City is located in Huerfano County, Colorado, and its major operations include police protection, road maintenance, utilities and culture and recreation.

This summary of the City of Walsenburg's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the City of Walsenburg conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the City and (b) organizations for which the City is financially accountable. The City is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. 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 City. Organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Blended Component Units. Based on the criteria above, the City has two component units. The Northlands General Improvement District has the power to acquire, construct or install public improvements within its own boundaries and to finance such improvements by levying a general property tax upon the benefiting property. The Northlands General Improvement District is a blended component unit presented as a major capital projects fund. The Walsenburg General Improvement District (the Downtown General Improvement District) is a blended component unit and is presented herein as a nonmajor special revenue fund. Each district is an entity which is legally separate from the City. The City Council, as required by state statute, sits as the Board of Directors for both districts. Services provided by each district are entirely for the benefit of the citizens of that district. The fiscal year end for both districts is December 31.

The City is not considered a component unit of any other government.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide 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 activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. Likewise, the primary government is reported separately from the legally separate, discretely presented component units for which the primary government is financially accountable.

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 those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Measurement Focus and 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 and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized 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 recognized only when payments are due.

Sales taxes, intergovernmental grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds) and the capital projects funds. The following are the City's major and nonmajor governmental funds:

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

The *Capital Improvement Fund* is a major fund, categorized as a capital projects fund that is used to account for capital projects that are supported by a 1.0% sales tax, appropriations and/or advances from the General Fund or donations from private or public sources.

The *Street Improvement Fund* is a major fund, categorized as a capital projects fund used to fund maintenance and/or capital outlay relating specifically to street improvements, supported by a designated 1.0% sales tax.

The *Northlands General Improvement District Fund* is a major fund, categorized as a special revenue fund because it accounts for the resources used to repay the Sewer Fund for the debt incurred related to Sewer capital assets constructed within the district's boundaries.

The *Downtown General Improvement District Fund* (formerly the Walsenburg General Improvement District), a nonmajor special revenue fund, accounts for assets and earnings to be used for specific purposes.

The *Conservation Trust Fund*, a nonmajor special revenue fund, accounts for lottery proceeds required to be expended solely on park and recreation activities.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City reports the following proprietary or business-type funds:

The *Natural Gas Fund* is a major enterprise fund used to account for the purchase and delivery of natural gas to the citizens of the City.

The *Water Fund* is a major enterprise fund used to account for the purchase and delivery of water to the citizens of the City.

The *Sewer Fund* is a major enterprise fund used to account for sewer service provided to the citizens of the City.

The *Wild Waters Fund* is a nonmajor enterprise fund used to account for the membership, admissions and concessions revenues received by the City for the operation of a seasonal municipal swimming pool and water park.

The *Internal Service Fund* is an internal service fund used to account for fleet services used by the City.

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and for other funds. The City reports the following fiduciary fund that is not included in the government-wide statements since the resources of the fund are not available to the City:

The *Volunteer Firefighters' Pension Fund* accounts for the volunteer firemen's pension investments.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

- (1) Prior to the first meeting in August, the City Council is presented a budget adoption schedule for the subsequent year's budget
- (2) Prior to or by the first Council meeting in December, the budget is legally enacted through passage of an ordinance, after receiving input through public hearings.
- (3) The City Manager reports monthly to the City Council explaining any variance from the approved budget.
- (4) The City Charter requires the adoption of a budget for proprietary funds. Depreciation expense is not a budgeted item.
- (5) The City does not utilize encumbrance accounting and all appropriations lapse at year end.
- (6) Budgets presented are as originally adopted or amended by City Council.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months. Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as equity in pooled cash and cash equivalents, equity in pooled investments or equity in pooled restricted cash on the financial statements. Investments of the City's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value based on quoted market values, with the exception of certificates of deposit. These are stated at cost plus accrued interest, which approximates fair value.

Accounts Receivable

Receivables are reported net of an allowance for uncollectible accounts. The City writes off bad debts when accounts are deemed uncollectible. Receivables are reviewed annually to determine accounts that should be written off and to make any adjustments to allowance for doubtful accounts. As of December 31, 2017, the City had an allowance for uncollectible accounts relating to the Natural Gas Fund of \$4,874, Water Fund of \$2,486, Sewer Fund of \$3,014 and, totaling \$10,374.

Property Taxes

Annual property taxes are levied and assessed on January 1 and are certified by the City by November 1 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits the collections on a monthly basis to the City. The City recognizes a receivable, net of estimated uncollectible accounts, for property tax levied upon certification by the County Treasurer. A deferred inflow of resources is recorded in the same amount since the taxes are not available at year end to fund expenditures of the current year.

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses.

Inventory

Inventory consists of supplies for the City's use and, in the Natural Gas Fund, natural gas held in storage. Inventories are carried at the lower of cost or market using the first-in, first-out method.

Capital Assets

Capital assets, which include land, land improvements, distribution systems, buildings, equipment and vehicles, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$4,000 or more and an estimated useful life in excess of one year for all assets. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

<u>Asset Description</u>	<u>Years</u>
Land	N/A
Utility Plant	40
Streets (Infrastructure)	40
Buildings and Improvements	15-40
Equipment and Furniture	3-15
Software	3-5

Accrued Compensated Absences Payable

In accordance with accounting standards, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements and the enterprise fund financial statements. Compensated absences are reported in governmental funds only if they have matured.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statement, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bond Premium and Debt Issuance Costs

The bond premium is amortized over the life of the debt using the effective interest method and presented as an adjustment to the face amount of the debt. Debt issuance costs are expensed in the period incurred.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period. The government's deferred charge on refunding is reported as a deferred outflow for the proprietary fund and business-type activities presentation. The charge will be recognized proportionately as the outstanding principal is repaid.

The other item, unavailable revenue, is reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and will be recognized as an outflow or inflow of resources in the period that the amounts become recognizable as an expense or available, respectively. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance

In the government-wide financial statements and for the proprietary fund statements, net position is either shown as *net investment in capital assets*, with these assets essentially being nonexpendable; *restricted* when constraints placed on the net position are externally imposed; or *unrestricted*.

For the governmental fund presentation, fund balances that are classified as “*nonspendable*” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balances are reported as “*restricted*” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the highest formal action, the adoption of an Ordinance, of the government's highest level of decision-making authority, the City Council, are reported as “*committed*” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “*assigned*” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as *unassigned*.

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments follows:

Governmental - Unrestricted	\$ 1,994,813
Governmental - Restricted	165,436
Business-type - Unrestricted	3,716,998
Business-type - Restricted	710,000
Fiduciary	<u>38,701</u>
Total Cash and Investments	<u>\$ 6,625,948</u>

The City's cash and investment balances are comprised of the following:

Cash	\$ 3,252,824
Investments	<u>3,373,124</u>
Total Cash and Investments	<u>\$ 6,625,948</u>

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2017, all of the City's bank deposits as shown below were either insured by federal depository insurance or collateralized under PDPA.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

Uninsured deposits in financial institutions are placed into three categories depending on the custody credit risk. The categories are as follows:

1. Uncollateralized
2. Collateralized with securities held by the pledging financial institution
3. Collateralized with securities held by the pledging financial institution's trust department, or agent but not in the entity's name

	<u>Bank Balance</u>	<u>Book Balance</u>
FDIC Insured	\$ 357,517	\$ 357,517
PDPA Secured (Not in Entity's Name)	3,120,017	2,895,107
Petty Cash	<u>-</u>	<u>200</u>
Total Cash	<u>\$ 3,477,535</u>	<u>\$ 3,252,824</u>

Investments

Credit Risk

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2017 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not Subject to Categorization</u>	<u>Total</u>	<u>Wghtd Mat in Years</u>	<u>Rating</u>
U.S. Treasury Securities	\$ -	\$5,825	\$ -	\$ -	\$ 5,825	-	AAAm
Mutual Funds	-	2,715	-	-	2,715	-	N/A
Local Government Pools	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,364,584</u>	<u>3,364,584</u>	<u>15.31</u>	AAA
Total Investments	<u>\$ -</u>	<u>\$8,540</u>	<u>\$ -</u>	<u>\$ 3,364,584</u>	<u>\$ 3,373,124</u>	<u>0.03</u>	

The City invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) Safety, 2) Liquidity, and 3) Yield. The Director of Finance is responsible for all of the investments of the City.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

Eligible investments shall conform to state law and may include any of the following:

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

During the year ended December 31, 2017, the City invested funds in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. The fund is rated AAAM by the Standard and Poor's Corporation. The City had invested \$3,364,584 in Colotrust at year end.

Interest Rate Risk

The City manages its interest rate risk by setting a maximum maturity date no more than five years from the date of purchase unless otherwise authorized by the City Council.

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank securities. These investments are 15%, 5% and 22%, respectively, of the City's total investments.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, the City's investment securities, other than it is local government pools, were held by Stifel, Nicolaus & Company in the name of the City.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Restricted Cash

The City has restricted cash in the funds as follows:

Series 2017A Debt Service Reserve	\$ 149,688
Series 2017A/B Short-lived Asset Reserve	13,000
Series 2017B Debt Service Reserve	2,748
Series 2017C Debt Service Reserve	<u>710,000</u>
Total Restricted Cash	<u>\$ 875,436</u>

These restrictions are comprised of the following:

Series 2017A Debt Service Reserve	\$ 149,688
Series 2017A/B Short-lived Asset Reserve	13,000
Series 2017B Debt Service Reserve	2,748
Series 2017C Debt Service Reserve	<u>710,000</u>
Total Restricted Cash	<u>\$ 875,436</u>

NOTE 3: CAPITAL ASSETS

The following schedule presents changes in governmental activities capital assets during 2017:

<u>Governmental Activities</u>	<u>12/31/16</u>		<u>12/31/16</u>			<u>12/31/17</u>
	<u>Audit</u>	<u>Restatements</u>	<u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets not being Depreciated						-
Land	\$ 2,015,386	\$ -	\$ 2,015,386	\$ -	\$ -	2,015,386
Construction in Progress	<u>3,940,268</u>	<u>(3,940,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets not being Depreciated	<u>5,955,654</u>	<u>(3,940,268)</u>	<u>2,015,386</u>	<u>-</u>	<u>-</u>	<u>2,015,386</u>
Capital Assets being Depreciated						
Buildings and Improvements	1,736,444	(5,474)	1,730,970	-	-	1,730,970
Infrastructure	3,155,406	(679,067)	2,476,339	-	-	2,476,339
Equipment and Furniture	788,149	(68,673)	719,476	140,190	(8,199)	851,467
Vehicles	30,000	-	30,000	25,605	(30,000)	25,605
Software	<u>20,595</u>	<u>-</u>	<u>20,595</u>	<u>-</u>	<u>-</u>	<u>20,595</u>
Total Capital Assets being Depreciated	<u>5,730,594</u>	<u>(753,214)</u>	<u>4,977,380</u>	<u>165,795</u>	<u>(38,199)</u>	<u>5,104,976</u>
Less: Accumulated Depreciation						
Buildings and Improvements	(1,216,664)	(275)	(1,216,939)	(34,277)	-	(1,251,216)
Infrastructure	(595,474)	35,393	(560,081)	(61,909)	-	(621,990)
Equipment and Furniture	(386,018)	16,173	(369,845)	(69,839)	2,266	(437,418)
Vehicles	(4,600)	-	(4,600)	(4,707)	7,600	(1,707)
Software	<u>(20,596)</u>	<u>1</u>	<u>(20,595)</u>	<u>-</u>	<u>-</u>	<u>(20,595)</u>
Total Accumulated Depreciation	<u>(2,223,352)</u>	<u>51,292</u>	<u>(2,172,060)</u>	<u>(170,732)</u>	<u>9,866</u>	<u>(2,332,926)</u>
Net Capital Assets	<u>\$ 9,462,896</u>	<u>\$ (4,642,190)</u>	<u>\$ 4,820,706</u>	<u>\$ (4,937)</u>	<u>\$ (28,333)</u>	<u>\$ 4,787,436</u>

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: CAPITAL ASSETS (Continued)

Depreciation has been charged to the various functions and programs as follows:

General Government	\$ 35,997
Public Safety	4,707
Public Works	104,599
Parks and Recreation	25,427
Total Depreciation by Function	\$ 170,730

The following schedule presents business-type activities capital assets at December 31, 2017:

	12/31/16		12/31/16			12/31/17
<u>Business-type Activities</u>	<u>Audit</u>	<u>Restatements</u>	<u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets not being Depreciated						
Land, Easements and Water Rights	\$ 2,293,765	\$ 295,000	\$ 2,588,765	\$ -	\$ -	2,588,765
Construction in Progress	146,284	4,254,166	4,400,450	2,907,272	(6,423,879)	883,843
Total Capital Assets not being Depreciated	2,440,049	4,549,166	6,989,215	2,907,272	(6,423,879)	3,472,608
Capital Assets being Depreciated						
Buildings and Improvements	12,865,089	(295,000)	12,570,089	23,676	-	12,593,765
Utility Plant and Improvements	15,855,411	-	15,855,411	6,423,879	-	22,279,290
Equipment and Furniture	1,046,409	-	1,046,409	59,297	(31,110)	1,074,596
Vehicles	59,060	37,950	97,010	79,500	-	176,510
Total Capital Assets being Depreciated	29,825,969	(257,050)	29,568,919	6,586,352	(31,110)	36,124,161
Less: Accumulated Depreciation						
Buildings and Improvements	(9,116,669)	11,437	(9,105,232)	(119,457)	-	(9,224,689)
Utility Plant and Improvements	(4,675,408)	-	(4,675,408)	(404,316)	-	(5,079,724)
Equipment and Furniture	(544,630)	-	(544,630)	(64,267)	30,000	(578,897)
Vehicles	(10,496)	-	(10,496)	(16,699)	-	(27,195)
Total Accumulated Depreciation	(14,347,203)	11,437	(14,335,766)	(604,739)	30,000	(14,910,505)
Net Capital Assets	\$ 17,918,815	\$ 4,303,553	\$ 22,222,368	\$ 8,888,885	\$ (6,424,989)	\$ 24,686,264

Depreciation has been charged to the various functions and programs as follows:

Gas Fund	\$ 98,613
Water Fund	273,495
Sewer Fund	172,244
Wild Waters Fund	60,387
Total Depreciation by Function	\$ 604,739

Restatements have been recorded to reflect the reclassification of Sewer Fund construction in progress from Governmental Activities to Business-type Activities and a vehicle purchase posted to governmental activities instead of Gas Fund in 2016 as further discussed in Note 14. In addition, restatements have been recorded to reflect reconciliation of amounts shown in the 2016 capital asset tables to those reflected in the City's capital asset records and to the audited financial statements.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: LONG - TERM DEBT

Changes in long-term obligations are as follows:

	12/31/16 Balance	Restatements	Advances	Refunding	Payments	12/31/17 Balance	Current Portion	Interest Expense
Governmental Activities								
Capital lease obligations	\$ 154,015	\$ 6,615	\$ -	\$ -	\$ 34,203	\$ 126,427	\$ 31,654	\$ 3,657
Compensated absences	69,119	-	-	-	30,599	38,520	-	-
Notes payable, NBH - construction loan	2,027,108	(2,027,108)	-	-	-	-	-	-
Total Governmental Activities	\$ 2,250,242	\$ (2,020,493)	\$ -	\$ -	\$ 64,802	\$ 164,947	\$ 31,654	\$ 3,657
Business-type Activities								
Notes payable, NBH - construction loan	\$ -	\$ 2,027,108	\$ 1,670,892	\$ -	\$ 3,698,000	\$ -	\$ -	\$ 42,884
Revenue bonds:								
2007 Revenue Bonds	8,180,000	-	-	8,180,000	-	-	-	152,607
2017A Revenue Bonds	-	-	3,626,000	-	33,401	3,592,599	51,540	68,015
2017B Revenue Bonds	-	-	72,000	-	754	71,246	1,157	1,104
2017C Revenue Bonds	-	-	8,045,000	-	-	8,045,000	437,035	66,279
Bond premiums	53,944	-	-	53,944	-	-	-	-
Compensated absences	89,594	-	-	-	3,876	85,718	-	-
Total Business-type Activities	\$ 8,323,538	\$ 2,027,108	\$ 13,413,892	\$ 8,233,944	\$ 3,736,031	\$ 11,794,563	\$ 489,732	\$ 330,889

GOVERNMENTAL ACTIVITIES

Capital Leases Payable

In 2016, the City entered into a capital lease for the purchase of a street sweeper with an original principal balance of \$161,965. The lease accrues interest at a rate of approximately 2.45% and is payable in equal monthly installments of \$2,865, with a maturity date of September 29, 2021. The lease is completely funded by the internal services fund. Capital assets with a remaining basis of \$141,720 have been recorded as part of this lease.

In 2016, the City entered into a capital lease for the purchase of body cameras with an original principal balance of \$10,001. The lease accrues interest at a rate of approximately 3.37% and is payable in three equal annual installments of \$3,476, with a maturity date of January 15, 2019. The lease is completely funded through the General Fund. As the individual assets do not meet the capitalization threshold, no capital assets were recorded as part of this lease.

Future minimum lease payments on the two leases are as follows:

Fiscal Year	Street Sweeper	Body Cameras	Total Payments
2018	\$ 34,384	\$ -	\$ 34,384
2019	34,384	3,476	37,860
2020	34,384	-	34,384
2021	28,654	-	28,654
Total Payments	131,806	3,476	135,282
Less: Interest Portion	(8,741)	(114)	(8,855)
Net Present Value	\$ 123,065	\$ 3,362	\$ 126,427

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: LONG - TERM DEBT (Continued)

BUSINESS-TYPE ACTIVITIES

Construction Loan – Northlands Sewer Project

In March 2015, the City entered into a construction loan for a portion of the Northlands Sewer Project with an interest rate of 2.45%. The City borrowed an additional \$1,670,892 during the fiscal year with a maximum outstanding balance of \$3,698,000. This loan was repaid upon issuance of the \$3,626,000 Series 2017A and \$72,000 Series 2017B USDA Sewer Bonds. The City paid \$42,884 of interest on the loan during the fiscal year. This loan was previously recorded as a governmental activity obligation although it was used for Sewer Fund capital assets.

Bonds Payable

Series 2007 Revenue Bonds

In July 2007, the City issued \$9,700,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 2007 (the Bonds). The Bonds are special limited obligations of the City payable solely from the net revenue derived by the City from operation of the City's water and sewer systems. The Bonds constitute an irrevocable lien (but not necessarily an exclusive such lien) upon the net revenue. The Bonds do not constitute a general obligation of the City or an obligation of the State of Colorado or Huerfano County.

The Bonds were issued by the City to (1) improve and equip the City's sewer system, (2) advance refund the City's outstanding Water Revenue Bonds, Series 1999, (3) purchase a municipal bond insurance policy, (4) fund the Reserve Fund and (5) pay the costs of issuance of the Bonds.

The Bonds mature on December 1, 2032 and are subject to early redemption at the option of the City and are also subject to mandatory sinking fund redemption. Interest rates on the Bonds range from 4.25% to 5.00%. These bonds were fully refunded as part of the Series 2017C bond issuance described below. All outstanding Series 2007 bonds were redeemed as of December 1, 2017 from the Series 017C escrow deposit.

All amounts related to the bonds are split 47% to the Water Fund and 53% to the Sewer Fund for financial statement presentation purposes.

Series 2017A/Series 2017B Water and Sewer Revenue Refunding Bonds

In April 2017, the City issued \$3,626,000 of Series 2017A and \$72,000 of Series 2017B Water and Sewer Revenue Refunding Bonds through the U.S Department of Agriculture Rural Utility Service ("RUS"). The Bonds are special limited obligations of the City payable solely from the net revenue derived by the City from operation of the City's water and sewer systems. The Bonds constitute an irrevocable lien (but not necessarily an exclusive such lien) upon the net revenue. The Bonds do not constitute a general obligation of the City or an obligation of the State of Colorado or Huerfano County. The City has committed to a rate maintenance provision equal to 120% of annual debt service related to the bonds and any parity debt. The bonds were issued by the City to repay the construction loan described above related to the City's Northlands sewer project.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: LONG - TERM DEBT (Continued)

BUSINESS-TYPE ACTIVITIES (Continued)

The Series 2017A bonds carry a 2.75% interest rate and are payable in monthly installments of \$12,747 maturing in April 2057. The Series 2017B bonds bear a 2.25% interest rate and are payable in monthly installments of \$229, also maturing in April 2057. The Series 2017A bonds require a reserve equal to an annual installment of \$149,688 while the Series 2017B bonds require a \$2,748 reserve. The reserves are funded through monthly deposits of \$1,247 and \$24, respectively, commencing in 2017 until fully funded. The bonds also require a "Short-lived Asset Replacement Reserve Account" in the amount of \$13,000 per year. This money can be used for short-lived asset replacement upon advance approval of RUS.

While this loan is secured by water and sewer revenues and constitutes debt of the Sewer Fund, the City has an agreement with the property owners located within the Northlands General Improvement District to provide funding for all debt service related to capital improvements located with the improvement district as further described in Note 10.

Series 2017C Water and Sewer Revenue Refunding Bonds

In September 2017, the City issued \$8,045,000 of Series 2017C Water and Sewer Revenue Refunding Bonds. The Bonds are special limited obligations of the City payable solely from the net revenue derived by the City from operation of the City's water and sewer systems. The Bonds constitute an irrevocable lien (but not necessarily an exclusive such lien) upon the net revenue. The Bonds do not constitute a general obligation of the City or an obligation of the State of Colorado or Huerfano County. The City has committed to a rate maintenance provision equal to 120% of annual debt service related to the bonds and any parity debt. The bonds were issued by the City to fully refund the 2007 Water and Sewer Bonds described above.

The Series 2017C bonds carry a 2.80% interest rate and are payable in monthly installments of \$54,726 through November 2031. There is a balloon payment due in December 2031 of \$714,726 representing final maturity. The Series 2017C bonds require a reserve of \$710,000. The City incurred \$221,236 of costs related to the issuance and recognized a deferred charge of \$131,852 on refunding that will be amortized through December 2031, the shorter of the remaining repayment period of the original bonds and the refunding bonds.

All amounts related to the bonds are split 47% to the Water Fund and 53% to the Sewer Fund for financial statement presentation purposes.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: LONG - TERM DEBT (Continued)

BUSINESS-TYPE ACTIVITIES (Continued)

Payments to maturity on the outstanding bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 489,732	\$ 319,419	\$ 438,192
2019	503,590	305,561	450,614
2020	517,566	291,585	463,383
2021	532,483	276,668	476,523
2022	547,550	261,601	490,032
2023-2027	2,978,827	1,066,928	2,666,568
2028-2032	3,438,114	610,925	3,080,077
2033-2037	419,500	342,680	8,476
2038-2042	481,043	281,138	9,485
2043-2047	551,624	210,557	10,614
2048-2052	632,513	129,667	11,876
2053-2057	616,303	44,248	10,406
Total Payments	<u>\$ 11,708,845</u>	<u>\$ 4,140,977</u>	<u>\$ 8,116,246</u>

NOTE 5: NOTES RECEIVABLE

In December 2015, the City entered into a loan agreement with Martra Operating Partnership, L.P. in the amount of \$1,066,160 for the sale of property owned by the City's Water Fund. The loan bears interest at 8% with the first year's interest added to the loan balance for a total principal balance of \$1,151,453. The loan then requires 120 monthly payments of \$13,970 through December 2026. The outstanding balance of the loan is \$1,073,094 as of December 31, 2017 with \$84,863 of principal anticipated to be repaid during 2018.

In October of 1997, the City entered into an agreement with Spanish Peaks Apartments of Walsenburg, Ltd. for the deferment of \$80,000 of tap fees in the Water Fund for a period of 20 years at 7% simple interest. Accrued interest through 2017 totals \$111,241 for a total outstanding balance of \$191,241 as of December 31, 2017. The City has recorded a restatement of the December 31, 2016 ending balance of \$28,000 to reflect accrued interest for the period 2012-2016.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: INTERFUND TRANSACTIONS

The City has the following internal balances receivable/owed at year end:

	Net Due To (From) Other Funds
General Fund	\$ (43,714)
Capital Improvement Fund	397,199
Downtown GID Fund	(163)
Natural Gas Fund	142,883
Water Fund	476,860
Sewer Fund	(388,027)
Wild Waters Fund	(341,739)
Internal Service Fund	(328,211)
Net Interfund Balance	<u><u>\$ (84,912)</u></u>

The City has recorded the following routine operating transfers during the current fiscal year:

	Transfers	
	In	Out
General Fund	\$ 175,000	\$ -
Capital Improvement Fund	-	(644,798)
Street Improvement Fund	-	(175,000)
Water Fund	279,834	-
Sewer Fund	237,606	-
Internal Service Fund	103,000	-
Northlands GID	24,358	-
Total Transfers	<u><u>\$ 819,798</u></u>	<u><u>\$ (819,798)</u></u>

The City has recorded the following internal charges related to payment of in lieu of tax (PILT) charges by the utility funds:

	PILT	
	Received	Paid
General Fund	\$ 229,258	\$ -
Gas Fund	-	74,475
Water Fund	-	91,911
Sewer Fund	-	62,872
Total	<u><u>\$ 229,258</u></u>	<u><u>\$ 229,258</u></u>

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: INTERFUND TRANSACTIONS (Continued)

The City has recorded the following payments from the Northlands General Improvement District Fund to the Sewer Fund for debt service on the 2017A and B bonds:

	Debt Service	
	<u>Received</u>	<u>Paid</u>
Northlands GID Func	\$ -	\$101,624
Sewer Fund	<u>101,624</u>	<u>-</u>
Total	<u>\$ 101,624</u>	<u>\$101,624</u>

NOTE 7: RETIREMENT PLANS

Volunteer Firefighters' Pension Fund – Defined Benefit

The Volunteer Firefighters' Pension Fund is a closed defined benefit plan. The City Council established a \$75 per month payout to participants. As of December 31, 2017, the fund had three participants. The City is no longer contributing to the fund. The fund will continue to exist until the death of the beneficiaries. The City has not yet established a policy on the payout of any remaining funds at the end of the payout period.

Policemen Pension Plan – Defined Contribution

Effective December 31, 2016, the City's police department was dissolved. The City retained minimal staff through the first quarter of 2017 to facilitate record and evidence transfer to the County Sheriff. All of the City's full-time policemen are eligible and must participate in the single-employer, defined contribution pension plan adopted by the City with Principal Mutual Life Insurance Company. Participants and the City are each required to contribute 11 % of the employee's annual salary to the plan. The payroll for employees covered by the plan for the year ended December 31, 2017 was approximately \$40,770. The City's total payroll for 2017 was approximately \$1,096,448. Employer contributions were \$1,223 for 2017. Employee contributions under the plan were \$1,223 for 2017.

The employee contribution is fully refundable upon request. The pension plan provides pension benefits, disability, retirement and survivor benefits. Participants become vested in employer contributions at 20% per year after 2 years of service and are fully vested after 7 years of service. Participants are eligible for retirement benefits upon reaching age 55 and the 20th anniversary of the person's date of commencement of participation in the plan. A lump sum distribution or an annuity of vested benefits is payable upon death or disability. Retirement benefits may be made in single life or joint life payments.

The employee may elect to receive a lump sum payment of all vested benefits upon termination of employment.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: RETIREMENT PLANS (Continued)

City Employees - Defined Contribution Plan

In October 1995, the City adopted a single-employer defined contribution retirement plan for City employees. The plan is maintained by Principal Mutual Life Insurance Company.

Participants are required to contribute 3% of their eligible wages. Additional contributions can be made to the plan by employees. The maximum amount allowable is the lesser of 25% of eligible compensation or \$30,000. The City is required to contribute 3% of eligible wages. Eligible wages were approximately \$841,952 for 2017. Employee contributions were approximately \$32,420 for 2017. Employer contributions to the plan totaled \$25,259.

All City employees are covered under the plan if they meet eligibility requirements specified in the plan document.

The employee contribution is fully refundable. Participants become vested in employer contributions at 20% per year after two years of service and are fully vested after seven years or more. Participants are eligible for retirement benefits upon death, retirement or termination of employment. A lump sum distribution or an annuity of vested benefits is payable upon death. Retirement benefits may be made in a single life payment or joint life payments. The employee may elect to receive a lump sum payment of all vested benefits upon termination of employment.

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for member towns and cities. The City pays an annual premium to CIRSA for its property/casualty, workers compensation, boiler and machinery and volunteer accident medical insurance coverage. The agreement for the formation of CIRSA provides that it will be self-sustaining through member premiums and will provide members the coverage authorized through joint self-insurance, insurance, reinsurance or any combination thereof, provide claims services related to such coverage and provide risk management and loss control services.

The City continues to contribute toward commercial insurance for employee health and accident insurance. The City, in its opinion, has obtained adequate coverage as required by CRS to settle claims in the ordinary course of business. However, due to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the City would be financially responsible. Settled claims resulting from these risks have not exceeded commercial insurance the past three years.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: COMMITMENTS AND CONTINGENCIES

Litigation

The City is currently involved in legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the City.

Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

Environmental Matters

It is likely that several City buildings contain asbestos, and the City is a potentially responsible party regarding environmental impacts. Although a loss is probable, it is not possible to reasonably estimate the amount of any obligation for remediation that would be material to the City's financial statements at December 31, 2017.

Landfill

The City is required to comply with the Colorado Department of Health under CRS 30-20-100.5 through 30-20-119 in regards to its municipal solid waste landfill. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill sites for a period of time after closure. The City closed the landfill in 1996 and has not incurred any additional costs for the landfill. Although a liability is probable, it is not possible to reasonably estimate the amount of any obligation for post-closure care costs that would be material to the City's financial statements at December 31, 2017.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

TABOR Amendment

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

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR required 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.

In 1995, the City's residents voted to retain revenues and not be subject to the fiscal year spending limitations of TABOR, providing that no local tax rate or mill levy shall be increased without further voter approval. In August of 2011, it was determined by management of the City that the City had violated provisions of TABOR by increasing the property tax mill levy without voter approval. Pursuant to TABOR, the City is required to refund excess revenues by issuing temporary tax credits or a tax rate reduction. The amount to be refunded, including interest accrued at 10% using a simple-interest method, is approximately \$114,792 as of December 31, 2017.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$158,000 for TABOR.

2018 Budget Designations

Through the adoption of the 2018 budget, the City has committed the following resources:

Committed for Subsequent Year's Expenditures

Volunteer Firemens' Pension	\$ 4,105
Wild Waters Fund	\$ 65,035

In the case of the Volunteer Firemen's Pension Fund, the entire net position is shown as restricted in the financial statements. As the Wild Waters commitment is not an external restriction, this commitment is included in the unrestricted net position at year end.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Northlands Waste-Water System Payment Plan Agreement

As part of a pre-annexation agreement related to properties within the Northlands General Improvement District, the "GID", certain system improvements were to be constructed for the benefit of the properties. The pre-annexation agreement required that "the annexation of the Property to the City should not create any additional cost or impose any additional burden on the existing residents of the City to provide public facilities and services to the Property after annexation". The City had access to funding sources that were not available to the GID, namely Rural Utility Service ("RUS") grants and loans and Community Development Block Grants. It was the intent of the property owners, the City and the GID that all loan payments to the waste-water financing entities, (RUS), should be made by the GID and not by the City using revenue sources described in the Northlands Waste-Water System Payment Plan Agreement.

In general, all costs of the Northlands Waste Water Projects including, but not limited to, all engineering, design, survey, construction, reserve establishment and interest incurred, before, during and after construction as well as short-lived asset funding not otherwise paid for through the receipt of grants shall be paid for with revenues derived from the property owners within the GID.

The original loan, the Series 2017A Bonds, require annual payments of \$150,032 for a period of 40 years, a \$13,000 annual payment for the short-lived asset reserve as well as \$15,044 annually for a period of 10 years to establish a loan payment reserve. The total annual amount to be supplied by the owners to the GID from the revenue sources described below in years one through ten total \$178,076 and in years eleven through forty total \$163,032.

The revenues consist of individual pledges from specific property owners due annually prior to July 1, during the term of the RUS loan to partially offset the waste-water loan payments, loan payment reserve and short-lived asset replacement reserve. These payments total \$54,846 annually and are directly tied to ownership of specific property within the District. The agreement also required establishment of a Public Improvement Fee, ("PIF") that is also tied to specific properties, irrespective of ownership, in the initial amount of 1.45 percent on products or services that qualify for the imposition of the City's sales tax. The property owners granted authority for the City to collect the PIF and on their behalf and deposit said amounts, less a City service fee to the Northlands General Improvement District Fund. The third funding source is defined as the capital improvement portion of the City sales taxes collected from within the GID boundaries.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 10: RATE MAINTENANCE

All of the outstanding bonds as discussed in Note 4 require that Net Revenues shall represent a sum equal to 120% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due. The City has pledged the combined Water and Sewer revenues to meet these requirements. The computation of both the rate maintenance is as follows:

	Water Fund	Sewer Fund	Total
Revenues			
Charges for Services	\$ 1,359,786	\$ 1,134,712	\$ 2,494,498
Intergovernmental Revenue	76,791	-	76,791
Investment Earnings	97,295	7,394	104,689
Other Revenue	5,923	-	5,923
Plant Investment Fees	14,767	23,100	37,867
Transfers In/(Out)	<u>279,834</u>	<u>237,607</u>	<u>517,441</u>
Total Revenues	<u>1,834,396</u>	<u>1,402,813</u>	<u>3,237,209</u>
Expenses			
Operating Expenses	1,254,880	966,004	2,220,884
Capital Outlay	27,528	30,690	58,218
Interest Expense	102,373	185,633	288,006
Less: Depreciation	(273,495)	(172,244)	(445,739)
Less: Debt Service	(102,373)	(185,633)	(288,006)
Less: Debt Issuance Costs	<u>(104,790)</u>	<u>(116,446)</u>	<u>(221,236)</u>
Net Expenses	<u>904,123</u>	<u>708,004</u>	<u>1,612,127</u>
Net Operating Revenues	<u>930,273</u>	<u>694,809</u>	<u>1,625,082</u>
Debt Service Requirements			
2017A Bonds Due in FY18	-	149,688	149,688
2017B Bonds Due in FY18	-	2,748	2,748
2017C Bonds Due in FY18	<u>308,656</u>	<u>348,059</u>	<u>656,715</u>
Total Debt Service	308,656	500,495	809,151
Debt Coverage Ratio	<u>120%</u>	<u>120%</u>	<u>120%</u>
Total Debt Coverage Req	<u>370,387</u>	<u>600,594</u>	<u>970,981</u>
Coverage Excess (Shortfall)	<u>\$ 559,886</u>	<u>\$ 94,215</u>	<u>\$ 654,101</u>

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 11: SUBSEQUENT EVENTS

City Lake Dam

In 2016, the City was notified by the State of Colorado of certain compliance issues related to the City Lake Dam. In 2017, City acting by and through its water activity enterprise, is applying for a loan for a City Lake Dam rehabilitation project. This loan will be parity with the existing Water and Sewer Fund debt and will require a parity certificate prior to issuance.

NOTE 12: PRIOR PERIOD RESTATEMENTS

The City has recognized the need to restate the December 31, 2016 ending balances for numerous items as outlined below:

General Fund. The City has restated the capital credit balance to be paid in future years based on more current information received from San Isabel Electric Association, Inc. In addition, the overall balance has been reclassified between the City's various operations. In the General Fund, the future amounts to be paid had not been recorded as a deferred inflow resulting in a net restatement of \$(152,741). During 2016, the General Fund was charged for a vehicle that was to be purchased by the Gas Fund. This restatement resulted in an increase in Due from Other Funds of \$37,950. It was also determined that certain receivables had not been recorded in the amount of \$25,655 while other receivables had been reported as both cash and receivable at year end. The net restatement in the General Fund was a decrease in beginning fund balance of \$(298,276).

Northlands General Improvement District Fund. The City originally recorded the Northlands Waste-Water project in the Northlands General Improvement District. This project consisted of the sewer capital assets that were financed by Sewer backed debt and grants that the City was entitled to receive and were not available to the component unit. All construction and debt related activities for the project have been reclassified as Sewer Fund activities as of December 31, 2016, leaving only the debt repayment portion in the Northlands General Improvement District Fund. This resulted in a net increase in the fund balance in the fund of \$1,757,049.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 12: PRIOR PERIOD RESTATEMENTS (Continued)

Natural Gas Fund. The City has restated the capital credit balance to be paid in future years based on more current information received from San Isabel Electric Association, Inc. In addition, the overall balance has been reclassified between the City's various operations. In the Natural Gas Fund, the net result was an increase in capital credits receivable of \$1,617. During 2016, the General Fund was charged for a vehicle that was to be purchased by the Gas Fund. This restatement resulted in an increase in Capital Assets and a corresponding Due to Other Funds of \$37,950. It was also determined that the unbilled usage receivable had not been recorded in the amount of \$125,913. The City also recognized other utility related adjustments for meter deposits, cash clearing, and utility and contracts receivable totaling \$(31,820). Finally, a transfer in of \$24,571 was backdated to 2016 incorrectly. The net restatement in the Natural Gas Fund was an increase in the beginning net position of \$71,139.

Water Fund. The City has restated the capital credit balance to be paid in future years based on more current information received from San Isabel Electric Association, Inc. In addition, the overall balance has been reclassified between the City's various operations. In the Natural Gas Fund, the net result was an increase in capital credits receivable of \$28,112. It was also determined that the unbilled usage receivable had not been recorded in the amount of \$55,389. The City also recognized other utility related adjustments for meter deposits, cash clearing, and utility and contracts receivable totaling \$(37,072). It was also determined that the City had failed to accrue interest on the Spanish Peaks note receivable for the period 2012 through 2016 in the amount of \$28,000. Finally, the allocation of the bonded debt transactions between the Water and Sewer funds was incorrect resulting in a net increase in net position of \$157,450. The net restatement in the Water Fund was an increase in the net position of \$231,879.

Sewer Fund. The City has restated the capital credit balance to be paid in future years based on more current information received from San Isabel Electric Association, Inc. In addition, the overall balance has been reclassified between the City's various operations. In the Natural Gas Fund, the net result was an increase in capital credits receivable of \$78,724. It was also determined that the unbilled usage receivable had not been recorded in the amount of \$48,857. The City also recognized other utility related adjustments for meter deposits, cash clearing, and utility and contracts receivable totaling \$4,999. In addition, the allocation of the bonded debt transactions between the Water and Sewer funds was incorrect resulting in a net decrease in net position of \$157,450. Finally, the City originally recorded the Northlands Waste-Water project in the Northlands General Improvement District as described above. All construction and debt related activities for the project have been reclassified as Sewer Fund activities as of December 31, 2016. The reclassification of this project resulted in a net increase in the fund balance in the fund of \$507,857. The net restatement in the Sewer Fund was an increase in the net position of \$482,986.

Wild Waters Fund. The City has restated the capital credit balance to be paid in future years based on more current information received from San Isabel Electric Association, Inc. In addition, the overall balance has been reclassified between the City's various operations. In the Natural Gas Fund, the net result was an increase in capital credits receivable of \$11,546. The net restatement in the Wild Waters Fund was an increase in the net position of \$11,546.

CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 12: PRIOR PERIOD RESTATEMENTS (Continued)

Governmental Activities. The City's governmental activities have been restated to reflect the changes described above for the General Fund totaling \$(106,436), the reclassification of the Northlands sewer project on the accrual basis of \$(306,665), the recording of the outstanding balance of the body camera lease of \$(6,615) and net other restatements of beginning capital assets not reflected in the City's capital asset records of \$(569,010) for a net decrease of net position of \$(971,084).

Business-type Activities. The City's business-type activities have been restated to reflect the changes described above for the Gas, Water, Sewer and Wild Waters Funds. The net restatement was an increase in net position of \$797,550 as of December 31, 2016.

A summary of the above restatements is as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Northlands GID Fund</u>	<u>Business-type Activities</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Wild Waters Fund</u>
Balance per 12/31/16 Audit	\$ 7,653,176	\$ (191,840)	\$ (1,530,422)	\$ 15,070,646	\$ 3,319,460	\$ 7,938,886	\$ 2,279,681	\$ 1,532,619
Restatements:								
Reallocate and adjust capital credits receivable	-	-	-	119,999	1,617	28,112	78,724	11,546
Record deferred inflow for capital credits	(152,741)	(152,741)	-	-	-	-	-	-
Correct bonded debt postings	-	-	-	-	-	157,450	(157,450)	-
Record missing payable	(112,706)	-	(112,706)	-	-	-	-	-
Record interfund balance related to vehicle purchase	37,950	37,950	-	(37,950)	(37,950)	-	-	-
Capitalize vehicle	-	-	-	37,950	37,950	-	-	-
Record unbilled utility receivables	-	-	-	230,159	125,913	55,389	48,857	-
Other utility receivable/utility deposit adjustments	-	-	-	(63,894)	(31,820)	(37,072)	4,998	-
Other unrecorded receivables	25,997	25,997	-	28,000	-	28,000	-	-
Incorrect transfer posting	-	-	-	(24,571)	(24,571)	-	-	-
Record additional lease payable	(6,615)	-	-	-	-	-	-	-
Correct posting of Northlands sewer project	(193,959)	-	1,869,755	507,857	-	-	507,857	-
Other beginning capital asset corrections	(569,010)	-	-	-	-	-	-	-
Receivables recorded twice	-	(17,642)	-	-	-	-	-	-
Net Restatement	(971,084)	(106,436)	1,757,049	797,550	71,139	231,879	482,986	11,546
Restated Balance as of 12/31/16	\$ 6,682,092	\$ (298,276)	\$ 226,627	\$ 15,868,196	\$ 3,390,599	\$ 8,170,765	\$ 2,762,667	\$ 1,544,165

NOTE 13: DEFICIT FUND BALANCE

The City has a deficit unassigned fund balance in its General Fund due to the recording of the TABOR emergency reserve described in Note 10. The City has adequate resources in other funds to provide the emergency reserve if required.

NOTE 14: BUDGET VIOLATIONS

The City's expenditures exceeded appropriations in the Capital Improvement and Internal Service Funds which may be a violation of Colorado statutes.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE**General Fund****FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017		
	Original\ Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes			
Property Taxes	\$ 233,800	\$ 281,884	\$ 48,084
Specific Ownership Taxes	25,000	26,208	1,208
Sales Taxes	431,100	408,400	(22,700)
Franchise Taxes	95,000	113,919	18,919
Other Taxes	4,800	-	(4,800)
Total Tax Revenue	789,700	830,411	40,711
Intergovernmental Revenues			
Cigarette Taxes	4,500	3,287	(1,213)
Highway Users	121,800	118,312	(3,488)
Road and Bridge	195,000	235,533	40,533
Clerk/Motor Vehicle Fees	13,000	15,609	2,609
Severance Tax	25,000	7,683	(17,317)
State Grants	87,500	74,004	(13,496)
Other Intergovernmental	-	2,341	2,341
Total Intergovernmental Revenue	446,800	456,769	9,969
Licenses and Permits			
Liquor Licenses	3,000	2,399	(601)
Building Permits	14,500	18,062	3,562
Marijuana Licenses	17,000	31,200	14,200
Annexation/Other P&Z Fees	7,000	3,000	(4,000)
Animal Licenses	500	554	54
Business Licenses	6,000	7,485	1,485
Other Licenses	3,500	5,861	2,361
Total Licenses and Permits	51,500	68,561	17,061
Fines and Forfeits			
PILT Charges	10,000	3,379	(6,621)
	256,700	229,258	(27,442)
Charges for Services			
Other Charges for Services	6,500	2,775	(3,725)
Investment Earnings			
	-	573	573
Other Revenues			
Reimbursements and Refunds	-	73	73
Donations	1,000	165	(835)
Insurance Proceeds/Recoveries	-	6,553	6,553
Sale of Capital Assets	190,000	29,595	(160,405)
Other Miscellaneous Revenue	4,000	20,453	16,453
Total Other Revenue	195,000	56,839	(138,161)
TOTAL REVENUES	1,756,200	1,648,565	(107,635)

See accompanying Independent Auditors' Report.

(Continued)

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE**General Fund****FOR THE YEAR ENDED DECEMBER 31, 2017**

(Continued)

EXPENDITURES**General Government**

	Original\		Variance
	Final		With Final
	Budget	Actual	Budget
Personnel Services	177,100	170,856	6,244
Fuel and Automotive	-	1,783	(1,783)
Insurance	18,000	38,017	(20,017)
Professional Fees/Contracted Services	10,000	24,658	(14,658)
Repairs and Maintenance	2,000	8,558	(6,558)
Supplies	6,000	6,399	(399)
Telephone and Utilities	42,000	20,522	21,478
Travel and Training	12,000	4,440	7,560
Other Expenses	54,000	43,479	10,521
Total General Government	321,100	318,712	2,388

Public Safety

Personnel Services	34,500	55,218	(20,718)
Insurance	-	(7,833)	7,833
Professional Fees/Contracted Services	700,000	722,158	(22,158)
Repairs and Maintenance	-	441	(441)
Supplies	-	(349)	349
Telephone and Utilities	-	1,451	(1,451)
Travel and Training	-	(510)	510
Other Expenses	-	845	(845)
Total Public Safety	734,500	771,421	(36,921)

Public Works

Personnel Services	204,400	209,153	(4,753)
Insurance	7,500	2,205	5,295
Professional Fees/Contracted Services	-	1,042	(1,042)
Repairs and Maintenance	45,200	37,521	7,679
Supplies	26,000	22,868	3,132
Telephone and Utilities	65,000	19,018	45,982
Travel and Training	2,800	3,731	(931)
Other Expenses	3,300	779	2,521
Total Public Works/Comm Devel	354,200	296,317	57,883

Parks, Recreation and Other

Personnel Services	90,100	95,780	(5,680)
Insurance	1,500	469	1,031
Repairs and Maintenance	10,000	3,359	6,641
Supplies	5,000	5,914	(914)
Telephone and Utilities	15,000	47,014	(32,014)
Travel and Training	-	564	(564)
Total Parks, Recreation & Other	121,600	153,100	(31,500)

See accompanying Independent Auditors' Report.

(Continued)

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE**General Fund****FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	
	Original\ Final Budget	Variance With Final Budget
(Continued)		
Capital Outlay		
General Government Capital Outlay	9,000	-
Public Safety Capital Outlay	-	-
Public Works Capital Outlay	25,400	26,934
Parks, Recreation and Other Capital Outlay	100,000	38
Total Capital Outlay	134,400	26,972
Debt Service		
Principal	31,000	3,253
Interest	3,400	223
Total Debt Service	34,400	3,476
TOTAL EXPENDITURES	1,700,200	1,569,998
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	56,000	78,567
OTHER FINANCING SOURCES (USES)		
Transfers In	-	175,000
Transfers (Out)	(56,000)	-
NET CHANGE IN FUND BALANCE - BUDGET BASIS	\$ -	\$ 253,567
FUND BALANCE, BEGINNING		(191,840)
Prior Period Restatement		(106,436)
FUND BALANCE, BEGINNING (As Restated)		(298,276)
FUND BALANCE, ENDING		\$ (44,709)

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WALSENBURG, COLORADO

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2017

With Comparative Totals for December 31, 2016

	<u>SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECT FUNDS</u>	
	<u>Conservation Trust Fund</u>	<u>Downtown Gen Imp Dist Fund</u>	<u>Total 2017</u>
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 19,759	\$ 7,000	\$ 26,759
Receivables			
Property Tax Receivable	-	1,848	1,848
Accounts Receivable	-	(2,810)	(2,810)
Internal Balances	-	(163)	(163)
TOTAL ASSETS	<u>\$ 19,759</u>	<u>\$ 5,875</u>	<u>\$ 25,634</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	\$ -	\$ 1,848	\$ 1,848
FUND BALANCE			
Restricted Fund Balance	19,759	4,027	23,786
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 19,759</u>	<u>\$ 5,875</u>	<u>\$ 25,634</u>

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECT</u>	
	<u>Conservation Trust Fund</u>	<u>Downtown Gen Imp Dist Fund</u>	<u>Total 2017</u>
REVENUES			
Taxes	\$ -	\$ 2,052	\$ 2,052
Intergovernmental Revenues	14,493	-	14,493
Investment Earnings	<u>1,896</u>	<u>-</u>	<u>1,896</u>
TOTAL REVENUES	16,389	2,052	18,441
EXPENDITURES			
Current:			
General Government	<u>-</u>	<u>500</u>	<u>500</u>
NET CHANGE IN FUND BALANCE - GAAP BASIS	16,389	1,552	17,941
FUND BALANCE, BEGINNING	<u>3,370</u>	<u>2,475</u>	<u>5,845</u>
FUND BALANCE, ENDING	<u>\$ 19,759</u>	<u>\$ 4,027</u>	<u>\$ 23,786</u>

See accompanying Independent Auditors' Report.

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SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for the proceeds of specific revenue sources, other than special assessments, expendable trusts, or major capital projects, that are legally restricted to expenditures for specified purposes.

The *Conservation Trust Fund*, a nonmajor special revenue fund, accounts for lottery proceeds required to be expended solely on park and recreation activities.

The *Northlands General Improvement District Fund* is a major fund, categorized as a special revenue fund because it accounts for the resources used to repay the Sewer Fund for the debt incurred related to Sewer capital assets constructed within the district's boundaries.

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE

Conservation Trust Fund

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental Revenues			
Cons Trust Fund Revenue	\$ 15,000	\$ 14,493	\$ (507)
Investment Earnings	-	1,896	1,896
TOTAL REVENUES	15,000	16,389	1,389
EXPENDITURES			
Transfers (Out)	(15,000)	-	15,000
NET CHANGE IN FUND BALANCE - BUDGET BASIS	\$ -	16,389	\$ 16,389
FUND BALANCE, BEGINNING		3,370	
FUND BALANCE, ENDING		<u>\$ 19,759</u>	

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE**Northlands Gen Imp Dist Fund****FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes			
Other Taxes	\$ 70,000	\$ 123,340	\$ 53,340
Charges for Services			
Other Charges for Services	54,800	28,244	(26,556)
Investment Earnings	-	3,234	3,234
Other Revenues			
Other Miscellaneous Revenue	-	20,000	20,000
TOTAL REVENUES	<u>124,800</u>	<u>174,818</u>	<u>50,018</u>
EXPENDITURES			
General Government			
Professional Fees/Contracted Services	5,000	13,360	(8,360)
Repairs and Maintenance	-	49	(49)
Supplies	-	264	(264)
Telephone and Utilities	-	7,394	(7,394)
Internal Charges	150,100	101,624	48,476
Other Expenses	-	99	(99)
Total General Government	<u>155,100</u>	<u>122,790</u>	<u>32,310</u>
Capital Outlay			
General Government Capital Outlay	<u>1,511,613</u>	<u>-</u>	<u>1,511,613</u>
TOTAL EXPENDITURES	<u>1,666,713</u>	<u>122,790</u>	<u>1,543,923</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(1,541,913)	52,028	1,593,941
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>48,000</u>	<u>24,358</u>	<u>(23,642)</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (1,493,913)</u>	<u>76,386</u>	<u>\$ 1,570,299</u>
FUND BALANCE, BEGINNING		(1,530,424)	
Prior Period Restatement		<u>1,757,049</u>	
FUND BALANCE, BEGINNING (As Restated)		<u>226,625</u>	
FUND BALANCE, ENDING		<u>\$ 303,011</u>	

See accompanying Independent Auditors' Report.

CAPITAL PROJECTS FUND

Capital Fund – Revenues of this fund consist primarily of transfers from the General Fund to provide for long-term capital asset acquisition.

The *Capital Improvement Fund* is a major fund, categorized as a capital projects fund that is used to account for capital projects that are supported by a 1.0% sales tax, appropriations and/or advances from the General Fund or donations from private or public sources.

The *Street Improvement Fund* is a major fund, categorized as a capital projects fund used to fund maintenance and/or capital outlay relating specifically to street improvements, supported by a designated 1.0% sales tax.

The *Downtown General Improvement District Fund* (formerly the Walsenburg General Improvement District), a nonmajor special revenue fund, accounts for assets and earnings to be used for specific purposes.

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE

Capital Improvement Fund

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes			
Sales Taxes	\$ 431,100	\$ 408,400	\$ (22,700)
Intergovernmental Revenues			
State Grants	-	18,261	18,261
Investment Earnings	200	1,703	1,503
TOTAL REVENUES	431,300	428,364	(2,936)
EXPENDITURES			
Capital Outlay			
General Government Capital Outlay	-	42,849	(42,849)
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	431,300	385,515	(45,785)
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(438,400)	(644,798)	(206,398)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (7,100)</u>	<u>(259,283)</u>	<u>\$ (252,183)</u>
FUND BALANCE, BEGINNING		718,381	
FUND BALANCE, ENDING		<u>\$ 459,098</u>	

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE

Street Improvement Fund

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes			
Sales Taxes	\$ 408,400	\$ 408,400	\$ -
Investment Earnings	2,000	3,740	1,740
TOTAL REVENUES	<u>410,400</u>	<u>412,140</u>	<u>1,740</u>
EXPENDITURES			
General Government			
Professional Fees/Contracted Services	-	34,476	(34,476)
Capital Outlay			
Public Works Capital Outlay	<u>4,350,000</u>	<u>240,096</u>	<u>4,109,904</u>
TOTAL EXPENDITURES	<u>4,350,000</u>	<u>274,572</u>	<u>4,075,428</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(3,939,600)</u>	<u>137,568</u>	<u>4,077,168</u>
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	-	(175,000)	(175,000)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (3,939,600)</u>	<u>(37,432)</u>	<u>\$ 3,902,168</u>
FUND BALANCE, BEGINNING		<u>1,697,751</u>	
FUND BALANCE, ENDING		<u>\$ 1,660,319</u>	

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE

Downtown Gen Imp Dist Fund

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Property Taxes	\$ 2,000	\$ 2,021	\$ 21
Specific Ownership Taxes	-	31	31
TOTAL REVENUES	2,000	2,052	52
EXPENDITURES			
General Government			
Professional Fees/Contracted Services	1,400	-	1,400
Other Expenses	600	500	100
TOTAL EXPENDITURES	2,000	500	1,500
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ -</u>	1,552	<u>\$ 1,552</u>
FUND BALANCE, BEGINNING		2,475	
FUND BALANCE, ENDING		<u>\$ 4,027</u>	

See accompanying Independent Auditors' Report.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises. The costs of providing goods or services to the general public on a continuing basis are recovered primarily from user charges.

The following are the Enterprise Funds of the City:

The *Natural Gas Fund* is a major enterprise fund used to account for the purchase and delivery of natural gas to the citizens of the City.

The *Water Fund* is a major enterprise fund used to account for the purchase and delivery of water to the citizens of the City.

The *Sewer Fund* is a major enterprise fund used to account for sewer service provided to the citizens of the City.

The *Wild Waters Fund* is a nonmajor enterprise fund used to account for the membership, admissions and concessions revenues received by the City for the operation of a seasonal municipal swimming pool and water park.

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Natural Gas Fund
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Utility Charges	\$ 1,600,000	\$ 1,166,993	\$ (433,007)
Other Charges for Services	30,000	42,536	12,536
Total Revenues	1,630,000	1,209,529	(420,471)
Operating Expenses			
Personnel Services	301,500	326,431	(24,931)
Commodity Charges	700,000	657,746	42,254
Administrative/Office Expenses	27,500	16,551	10,949
Insurance	12,500	17,303	(4,803)
Internal Charges	99,000	74,475	24,525
Operating Supplies	23,500	13,885	9,615
Professional Fees/Contracted Services	62,000	153,100	(91,100)
Repairs and Maintenance	181,500	45,865	135,635
Travel and Training	9,500	4,861	4,639
Telephone and Utilities	18,500	20,420	(1,920)
Other Operating Expenses	6,500	927	5,573
Other Capital Outlay	28,000	49,377	(21,377)
Total Expenditures	1,470,000	1,380,941	89,059
Operating Income (Loss)	160,000	(171,412)	(331,412)
Other Income (Expense)			
Intergovernmental Revenue	12,500	25,000	12,500
Investment Earnings	2,000	12,821	10,821
Debt Service	-	317	317
Total Other Income (Expense)	14,500	38,138	23,638
Net Income (Loss), Budget Basis	174,500	(133,274)	(307,774)
Contributed Capital			
Plant Investment Fees	5,500	1,293	(4,207)
Change in Net Position (Budget Basis)	\$ 180,000	(131,981)	\$ (311,981)
Budget to GAAP Reconciliation			
Depreciation Expense		(98,613)	
Capital Outlay		23,676	
Change in Net Position - GAAP Basis		(206,918)	
Net Position, Beginning		3,319,460	
Prior Period Restatement		71,139	
Net Position, Beginning (As Restated)		3,390,599	
Net Position, Ending		\$ 3,183,681	

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Water Fund
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Utility Charges	\$ 1,229,400	\$ 1,224,357	\$ (5,043)
Rents	6,000	32,599	26,599
Other Charges for Services	170,600	102,829	(67,771)
Total Revenues	1,406,000	1,359,785	(46,215)
Operating Expenses			
Personnel Services	303,300	293,162	10,138
Commodity Charges	-	65	(65)
Administrative/Office Expenses	19,500	11,156	8,344
Insurance	4,600	18,516	(13,916)
Internal Charges	90,000	91,911	(1,911)
Operating Supplies	52,600	99,278	(46,678)
Professional Fees/Contracted Services	62,500	333,437	(270,937)
Repairs and Maintenance	102,000	48,771	53,229
Travel and Training	5,300	9,496	(4,196)
Telephone and Utilities	43,100	44,206	(1,106)
Other Operating Expenses	12,700	31,387	(18,687)
Other Capital Outlay	3,284,500	896,636	2,387,864
Total Expenditures	3,980,100	1,878,021	2,102,079
Operating Income (Loss)	(2,574,100)	(518,236)	2,055,864
Other Income (Expense)			
Intergovernmental Revenue	22,500	76,791	54,291
Investment Earnings	74,000	97,295	23,295
Other Revenue	-	5,923	5,923
Debt Service	(339,300)	(195,926)	143,374
Total Other Income (Expense)	(242,800)	(15,917)	226,883
Net Income (Loss) before Transfers	(2,816,900)	(534,153)	2,282,747
Transfers			
Transfers In/(Out)	143,700	279,834	136,134
Net Income (Loss), Budget Basis	(2,673,200)	(254,319)	2,418,881
Contributed Capital			
Plant Investment Fees	20,000	14,767	(5,233)
Change in Net Position (Budget Basis)	\$ (2,653,200)	(239,552)	\$ 2,413,648
Budget to GAAP Reconciliation			
Principal Paid		93,553	
Depreciation Expense		(273,495)	
Capital Outlay		869,108	
Change in Net Position - GAAP Basis		449,614	
Net Position, Beginning		7,938,886	
Prior Period Restatement		231,879	
Net Position, Beginning (As Restated)		8,170,765	
Net Position, Ending		\$ 8,620,379	

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Sewer Fund
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Utility Charges	\$ 980,000	\$ 1,029,051	\$ 49,051
Internal Charges	-	101,624	101,624
Other Charges for Services	-	4,038	4,038
Total Revenues	980,000	1,134,713	154,713
Operating Expenses			
Personnel Services	283,500	254,143	29,357
Administrative/Office Expenses	17,300	12,361	4,939
Insurance	36,000	33,004	2,996
Internal Charges	67,700	62,872	4,828
Operating Supplies	31,200	43,713	(12,513)
Professional Fees/Contracted Services	18,500	181,821	(163,321)
Repairs and Maintenance	40,500	36,596	3,904
Travel and Training	5,400	7,305	(1,905)
Telephone and Utilities	159,500	130,481	29,019
Other Operating Expenses	13,100	31,466	(18,366)
Other Capital Outlay	207,500	90,440	117,060
Total Expenditures	880,200	884,202	(4,002)
Operating Income (Loss)	99,800	250,511	150,711
Other Income (Expense)			
Investment Earnings	-	7,394	7,394
Debt Service	(382,600)	(248,380)	134,220
Total Other Income (Expense)	(382,600)	(240,986)	141,614
Net Income (Loss) before Transfers	(282,800)	9,525	292,325
Transfers			
Transfers In/(Out)	143,700	237,606	93,906
Net Income (Loss), Budget Basis	(139,100)	247,131	386,231
Contributed Capital			
Plant Investment Fees	5,000	23,100	18,100
Intergovernmental Revenue	-	2,180,062	2,180,062
Total Contributed Capital	5,000	2,203,162	2,198,162
Change in Net Position (Budget Basis)	\$ (134,100)	2,450,293	\$ 2,584,393
Budget to GAAP Reconciliation			
Principal Paid		62,747	
Depreciation Expense		(172,244)	
Capital Outlay		59,750	
Change in Net Position - GAAP Basis		2,400,546	
Net Position, Beginning		2,279,681	
Prior Period Restatement		482,986	
Net Position, Beginning (As Restated)		2,762,667	
Net Position, Ending		\$ 5,163,213	

See accompanying Independent Auditors' Report.

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Wild Waters (Nonmajor) Fund
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Recreation Charges	\$ 90,200	\$ 59,130	\$ (31,070)
Other Charges for Services	-	117	117
Total Revenues	90,200	59,247	(30,953)
Operating Expenses			
Personnel Services	80,000	57,151	22,849
Administrative/Office Expenses	6,000	1,838	4,162
Insurance	3,200	1,701	1,499
Operating Supplies	25,300	33,978	(8,678)
Professional Fees/Contracted Services	-	1,151	(1,151)
Repairs and Maintenance	5,500	1,621	3,879
Travel and Training	200	-	200
Telephone and Utilities	40,000	33,243	6,757
Other Operating Expenses	1,000	1,120	(120)
Other Capital Outlay	-	(1,111)	1,111
Total Expenditures	161,200	130,692	30,508
Operating Income (Loss)	(71,000)	(71,445)	(445)
Other Income (Expense)			
Investment Earnings	-	-	-
Net Income (Loss) before Transfers	(71,000)	(71,445)	(445)
Transfers			
Transfers In/(Out)	71,000	-	(71,000)
Change in Net Position (Budget Basis)	\$ -	(71,445)	\$ (71,445)
Budget to GAAP Reconciliation			
Depreciation Expense		(60,387)	
Capital Outlay		(1,111)	
Change in Net Position - GAAP Basis		(132,943)	
Net Position, Beginning		1,532,618	
Prior Period Restatement		11,546	
Net Position, Beginning (As Restated)		1,544,164	
Net Position, Ending		\$ 1,411,221	

See accompanying Independent Auditors' Report.

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INTERNAL SERVICE FUNDS

Internal Service funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

The *Internal Service Fund* is an internal service fund used to account for fleet services used by the City.

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Internal Service Fund
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Final Budget	Actual	Variance with Final Budget
Operating Expenses			
Insurance	-	311	(311)
Other Capital Outlay	118,000	101,990	16,010
Total Expenditures	118,000	102,301	15,699
Operating Income (Loss)	(118,000)	(102,301)	15,699
Other Income (Expense)			
Debt Service	-	(34,385)	(34,385)
Gain (Loss) on Sale of Assets	-	(28,333)	(28,333)
Total Other Income (Expense)	-	(62,718)	(62,718)
Net Income (Loss) before Transfers	(118,000)	(165,019)	(47,019)
Transfers			
Transfers In/(Out)	103,000	103,000	-
Change in Net Position (Budget Basis)	<u>\$ (15,000)</u>	(62,019)	<u>\$ (47,019)</u>
Budget to GAAP Reconciliation			
Principal Paid		30,951	
Depreciation Expense		(41,594)	
Capital Outlay		101,990	
Change in Net Position - GAAP Basis		29,328	
Net Position, Beginning		(157,800)	
Net Position, Ending		<u>\$ (128,472)</u>	

See accompanying Independent Auditors' Report.

COMPLIANCE SECTION

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State Compliance

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

LOCAL HIGHWAY FINANCE REPORT		City or County:
		YEAR ENDING : December 2014
This Information From The Records Of (example - City of _ or County of City of Waslenburg		Prepared By: Phone: 719-738-1048

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)	274,571
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	408,400	c. Other	
4. Miscellaneous local receipts (from page 2)	3,739	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	274,571
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	412,139	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government		2. Notes:	
(from page 2)	127,983	a. Interest	
D. Receipts from Federal Government		b. Redemption	
(from page 2)	0	c. Total (a. + b.)	0
E. Total receipts (A.7 + B + C + D)	540,122	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)	274,571

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
	1,321,301	540,122	274,571	1,815,484	(228,633)

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	3,739
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	408,400	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	408,400	h. Other	
c. Total (a. + b.)	408,400	i. Total (a. through h.)	3,739
	(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	127,983	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		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	127,983	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		34,476	34,476
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		10,684.08	10,684
(4). System Enhancement & Operation		229,411	229,411
(5). Total Construction (1) + (2) + (3) + (4)	0	240,096	240,096
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	274,571	274,571
			(Carry forward to page 1)
Notes and Comments:			