

***Town of Eckley, Colorado***

**Financial Statements**

**For the Year ended December 31, 2018**

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20-21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	24-25
Notes to Financial Statements	26-66
Required Supplementary Information	
Schedule of the Town's Proportionate Share of the Net Pension Liability – PERA's Local Government Division Trust Fund	68-69
Schedule of Town Contributions – PERA's Local Government Division Trust Fund	70-71
Schedule of the Town's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund	72
Schedule of Town Contributions – PERA's Health Care Trust Fund	73
Schedule of Changes in the Town's Net Pension Liability/(Asset) and Related Ratios - Eckley Volunteer Fire Department Pension Fund	74
Schedule of Town Contributions – Eckley Volunteer Fire Department Pension Fund	75
General Fund – Budgetary Comparison Schedule	76
Community Center Fund – Budgetary Comparison Schedule	77
Conservation Trust Fund – Budgetary Comparison Schedule	78
Notes to the Required Supplementary Information	79-80

## Table of Contents

	<u>Page</u>
Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule – Revenues	84
Budgetary Comparison Schedule – Expenditures	86-87
Budgetary Comparison Schedules – Proprietary Funds	
Water Fund – Budgetary Comparison Schedule	90-91
Sewer Fund – Budgetary Comparison Schedule	92-93
Colorado Department of Highways Local Highway Finance Report	96-97



## **Independent Auditors' Report**

To the Honorable Mayor and Members of Town Council  
Town of Eckley  
Eckley, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eckley (the Town) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **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. 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 auditors' 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 Town as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note M to the financial statements, in 2018 the Town adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, historical pension and other post-employment benefit plan information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
April 19, 2019

## MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Eckley, Colorado's annual financial report presents the discussion and analysis of the financial performance for the fiscal year that ended December 31, 2018.

### FINANCIAL HIGHLIGHTS

- The Town of Eckley remains in good financial condition.
- The assets of the Town of Eckley exceeded its liabilities at the close of 2018 by \$1,946,175 (net position). Of this amount \$88,556 or 5% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's revenue from taxes and other revenues for governmental programs were more than the expenditures by \$52,027.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Eckley's basic financial statements. The Town of Eckley's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements.
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

The **statement of net position** presents information on all of the Town of Eckley'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 Town of Eckley is improving or deteriorating.

The **statement of activities** presents information showing how the Town of Eckley'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.)

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities.** Most of the Town's basic services are included here, such as the police, fire, public works, parks, recreation, and general administration. Property tax, franchise tax, severance tax, intergovernmental revenue and charges for services finance most of these activities.
- **Business-type activities.** The Town charges fees to customers to recover most of the costs of certain services provided. The Town's water and sewer systems are included here.

The government-wide financial statements can be found starting on page 12 of this report.

## **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, however, Town Council has established other funds to help control and manage money for particular purposes (Community Center Fund) or to show that it is properly using certain revenue (the Conservation Trust Fund). All of the funds of the Town of Eckley can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. 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 statement provides 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 Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found starting on page 16 of this report.

**Proprietary funds.** When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found starting on page 20 of this report.

## **Notes to the 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 starting on page 26 of this report.

## **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Eckley, assets exceed liabilities by \$1,946,175 at the close of 2018.

## Net Position

Combined net position of the Town of Eckley as of December 31, 2018 are shown in Table 1 below.

**Table 1**  
**NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 102,622	\$ 103,607	\$ 166,623	\$ 156,085	\$ 269,245	\$ 259,692
Capital assets	114,213	129,570	1,783,621	1,738,654	1,897,834	1,868,224
Total assets	216,835	233,177	1,950,244	1,894,739	2,167,079	2,127,916
Deferred outflows of resources	27,541	37,074	6,441	9,568	33,982	46,642
Total assets and deferred outflows of resources	\$ 244,376	\$ 270,251	\$ 1,956,685	\$ 1,904,307	\$ 2,201,061	\$ 2,174,558
Long-term debt outstanding	\$ 60,628	\$ 92,734	\$ 87,603	\$ 109,286	\$ 148,231	\$ 202,020
Other liabilities	4,970	9,360	33,831	30,929	38,801	40,289
Total liabilities	65,598	102,094	121,434	140,215	187,032	242,309
Deferred inflows of resources	57,194	28,608	10,660	4,355	67,854	32,963
Net position						
Net investment in capital assets	114,213	129,570	1,719,921	1,662,354	1,834,134	1,791,924
Restricted	12,376	10,879	11,109	11,109	23,485	21,988
Unrestricted	(5,005)	(900)	93,561	86,274	88,556	85,374
Total net position	121,584	139,549	1,824,591	1,759,737	1,946,175	1,899,286
Total liabilities, deferred inflows of resources and net position	\$ 244,376	\$ 270,251	\$ 1,956,685	\$ 1,904,307	\$ 2,201,061	\$ 2,174,558

The largest portion of the Town of Eckley's net position, 94%, reflects its investment in capital assets (land, buildings and equipment). The Town of Eckley uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. In addition, a portion of the Town of Eckley's net position, 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 5%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2018, the Town of Eckley is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Changes in net position

The Town's total revenue of \$341,583 was more than program expenses of \$289,556 for an increase in net position of \$52,027.

**Table 2**  
**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 28,429	\$ 24,125	\$ 128,752	\$ 139,347	\$ 157,181	\$ 163,472
Operating grants and contributions	41,529	48,363	-	-	41,529	48,363
Capital grants and contributions	-	-	101,965	123,395	101,965	123,395
General revenues						
Property taxes	22,777	21,889	-	-	22,777	21,889
Franchise taxes	6,471	7,733	-	-	6,471	7,733
Severance taxes	540	738	-	-	540	738
Other taxes	2,647	2,622	-	-	2,647	2,622
Mineral lease	452	908	-	-	452	908
Unrestricted interest	708	284	263	316	971	600
Sale of assets	-	800	-	-	-	800
Miscellaneous	2,597	1,298	4,453	834	7,050	2,132
Transfers	-	4,440	-	(4,440)	-	-
Total revenues	106,150	113,200	235,433	259,452	341,583	372,652
Program expenses						
General government	32,089	53,765	-	-	32,089	53,765
Public safety	14,204	6,916	-	-	14,204	6,916
Public works	46,676	45,157	-	-	46,676	45,157
Culture and recreation	28,729	25,154	-	-	28,729	25,154
Interest and fiscal charges	-	-	-	-	-	-
Water services	-	-	114,064	111,269	114,064	111,269
Sewer services	-	-	53,794	52,266	53,794	52,266
Total expenses	121,698	130,992	167,858	163,535	289,556	294,527
Change in net position	(15,548)	(17,792)	67,575	95,917	52,027	78,125
Net position at beginning of year	137,132	157,341	1,757,016	1,663,820	1,894,148	1,821,161
Net position at end of year	\$ 121,584	\$ 139,549	\$ 1,824,591	\$ 1,759,737	\$ 1,946,175	\$ 1,899,286

**Governmental Activities**

Revenue for the Town's governmental activities totaled \$106,150 for 2018. Tax revenue produced 31% of these revenues. Tax revenue includes property taxes, severance taxes, franchise taxes and other taxes.

**Table 3**  
**GOVERNMENTAL ACTIVITIES**

	Total cost of services		Net cost of services	
	2018	2017	2018	2017
General government	\$ 32,089	\$ 53,765	\$ 30,994	\$ 51,166
Public safety	14,204	6,916	14,204	6,916
Public works	46,676	45,157	(1,672)	25,904
Culture and recreation	28,729	25,154	8,214	(25,482)

Table 3, above, presents the cost and revenue of each of the Town's four largest programs – general government, public safety, public works, and culture recreation – as well as each program's *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Business-type Activities**

Net position in business-type activities increased by \$67,575 in 2018. Business-type activities include water and sewer services.

**Table 4  
BUSINESS-TYPE ACTIVITIES**

	Total cost of services		Net cost of services	
	2018	2017	2018	2017
Water	\$ 114,064	\$ 111,269	\$ 48,856	\$ 33,051
Sewer	53,794	52,266	(117,715)	(132,258)

Table 4, above, presents the cost and revenue of each of the Town's business-type activities – water and sewer – as well as each program's *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**THE TOWN'S FUNDS**

As the Town completed the year, its governmental funds (as presented on pages 16 -19) reported a combined fund balance of \$73,886. The general fund reported a fund balance decrease of \$73, while the community center and conservation trust funds reported fund balance increases of \$693 and \$1,797, respectively.

**GENERAL FUND BUDGET HIGHLIGHTS**

Over the course of the year, the Town Council did not revise the Town budget.

The actual charges to appropriations (expenditures) were \$17,613 below the final budget amounts.

Additionally, resources available for appropriation (revenues) were \$5,894 more than the final budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The Town of Eckley's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$1,897,834 (net of accumulated depreciation). This amount includes a broad range of capital assets, including public works equipment, water and wastewater lines, storm drainage and other infrastructure.

Major asset purchases during 2018 included land acquisition and engineering related to the waste water treatment plant.

The Town remains committed to the upkeep and maintenance of the Town's largest assets. More detailed information about the Town's capital assets is presented in Table 5 and Note E to the financial statements.

**Table 5**  
**CAPITAL ASSETS ON DECEMBER 31, 2018**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,150	\$ 3,150	\$ 51,711	\$ 4,984	\$ 54,861	\$ 8,134
Construction in progress	-	-	321,910	251,204	321,910	251,204
Buildings	62,826	66,460	-	-	62,826	66,460
Equipment	48,237	59,960	-	-	48,237	59,960
Water and sewer systems	-	-	1,410,000	1,482,466	1,410,000	1,482,466
Total	<u>\$ 114,213</u>	<u>\$ 129,570</u>	<u>\$ 1,783,621</u>	<u>\$ 1,738,654</u>	<u>\$ 1,897,834</u>	<u>\$ 1,868,224</u>

**Long-term debt.** The Town had \$148,231 in debt outstanding at year-end. More detailed information about the Town's long-term debt is presented in Table 6 and Note F to the financial statements.

**Table 6**  
**LONG-TERM DEBT**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Note payable	\$ -	\$ -	\$ 47,500	\$ 52,500	\$ 47,500	\$ 52,500
Bonds payable	-	-	16,200	23,800	16,200	23,800
Net pension liability	58,414	92,734	21,916	32,986	80,330	125,720
Net OPEB liability	2,214	2,417	1,987	2,721	4,201	5,138
Total	<u>\$ 60,628</u>	<u>\$ 95,151</u>	<u>\$ 87,603</u>	<u>\$ 112,007</u>	<u>\$ 148,231</u>	<u>\$ 207,158</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Town of Eckley is in a good financial position. The Town has finished the update of the water system. In 2019 the Town will start the procedure to bring the sewer system in compliance with state and federal regulations. The Town has applied for USDA loan/grant assistance for this project and has been approved. The Town will also raise sewer rates to help with expenses. The remaining funds' revenues and expenditures should be consistent with prior years. At this time the Town does not anticipate any major projects in the future.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact Town of Eckley, 235 NW Morton, P.O. Box 217, Eckley, Colorado 80727.

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## **Basic Financial Statements**

The basic financial statements of the Town include the following:

*Government-wide financial statements.* The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

*Fund financial statements.* The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

*Notes to the financial statements.* The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

**TOWN OF ECKLEY, COLORADO**  
**Statement of Net Position**  
**December 31, 2018**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 36,818	\$ 103,776	\$ 140,594
Cash with county treasurer	292		292
Certificates of deposit	50,587	13,439	64,026
Investments	252	137	389
Internal balances	(17,224)	17,224	-
Receivables	31,872	20,938	52,810
Prepaid items	25		25
Restricted certificate of deposit		11,109	11,109
Capital assets, net of depreciation	114,213	1,783,621	1,897,834
<b>Total assets</b>	<b>216,835</b>	<b>1,950,244</b>	<b>2,167,079</b>
<b>Deferred outflows of resources</b>			
Pension and other post-employment benefit deferrals	27,541	6,441	33,982
<b>Total assets and deferred outflows of resources</b>	<b>\$ 244,376</b>	<b>\$ 1,956,685</b>	<b>\$ 2,201,061</b>
<b>Liabilities</b>			
Accounts payable	\$ 2,207	\$ 16,652	\$ 18,859
Accrued salaries and benefits	2,336		2,336
Accrued interest payable		675	675
Unearned revenues	427	16,504	16,931
Noncurrent liabilities			
Due within one year		12,900	12,900
Due in more than one year	60,628	74,703	135,331
<b>Total liabilities</b>	<b>65,598</b>	<b>121,434</b>	<b>187,032</b>
<b>Deferred inflows of resources</b>			
Deferred property tax revenues	23,766		23,766
Pension and other post-employment benefit deferrals	33,428	10,660	44,088
<b>Total deferred inflows of resources</b>	<b>57,194</b>	<b>10,660</b>	<b>67,854</b>
<b>Net position</b>			
Net investment in capital assets	114,213	1,719,921	1,834,134
Restricted for emergencies	8,100		8,100
Restricted for culture and recreation	4,276		4,276
Restricted for debt service		11,109	11,109
Unrestricted (deficit)	(5,005)	93,561	88,556
<b>Total net position</b>	<b>121,584</b>	<b>1,824,591</b>	<b>1,946,175</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 244,376</b>	<b>\$ 1,956,685</b>	<b>\$ 2,201,061</b>

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

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**TOWN OF ECKLEY, COLORADO**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 32,089	\$ 878	\$ 217	
Public safety	14,204			
Public works	46,676	24,781	23,567	
Culture and recreation	28,729	2,770	17,745	
Total governmental activities	121,698	28,429	41,529	\$ -
Business-type activities				
Water services	114,064	65,208		
Sewer services	53,794	63,544		101,965
Total business-type activities	167,858	128,752	-	101,965
Total	\$ 289,556	\$ 157,181	\$ 41,529	\$ 101,965
General revenues				
Taxes				
Property taxes, levied for general purposes				
Franchise taxes				
Severance taxes				
Other taxes				
Mineral lease				
Unrestricted interest on investments				
Miscellaneous				
Total general revenues				
Change in net position				
Net position at beginning of year, as previously reported				
Prior period adjustment				
Net position at beginning of year, as restated				
Net position at end of year				

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

Net (Expenses) Revenues and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (30,994)		\$ (30,994)
(14,204)		(14,204)
1,672		1,672
(8,214)		(8,214)
(51,740)	\$ -	(51,740)
	(48,856)	(48,856)
	111,715	111,715
	62,859	62,859
(51,740)	62,859	11,119
22,777		22,777
6,471		6,471
540		540
2,647		2,647
452		452
708	263	971
2,597	4,453	7,050
36,192	4,716	40,908
(15,548)	67,575	52,027
139,549	1,759,737	1,899,286
(2,417)	(2,721)	(5,138)
137,132	1,757,016	1,894,148
\$ 121,584	\$ 1,824,591	\$ 1,946,175

**TOWN OF ECKLEY, COLORADO**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2018**

	General Fund	Community Center Fund	Conservation Trust Fund	Total
<b>Assets</b>				
Cash	\$ 13,569	\$ 18,973	\$ 4,276	\$ 36,818
Cash with county treasurer	292			292
Certificates of deposit	50,587			50,587
Investments	252			252
Property taxes receivable	23,766			23,766
Accounts receivable	3,216			3,216
Taxes receivable	4,890			4,890
Deposits	25			25
<b>Total assets</b>	<b>\$ 96,597</b>	<b>\$ 18,973</b>	<b>\$ 4,276</b>	<b>\$ 119,846</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,207			\$ 2,207
Accrued salaries and benefits	2,336			2,336
Due to other funds	17,224			17,224
Unearned revenues	427			427
<b>Total liabilities</b>	<b>22,194</b>	<b>\$ -</b>	<b>\$ -</b>	<b>22,194</b>
<b>Deferred inflows of resources</b>				
Deferred property tax revenues	23,766			23,766
<b>Total deferred inflows of resources</b>	<b>23,766</b>	<b>-</b>	<b>-</b>	<b>23,766</b>
<b>Fund balance</b>				
Restricted for emergencies	8,100			8,100
Restricted for culture and recreation			4,276	4,276
Committed to culture and recreation		18,973		18,973
Unassigned	42,537			42,537
<b>Total fund balance</b>	<b>50,637</b>	<b>18,973</b>	<b>4,276</b>	<b>73,886</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 96,597</b>	<b>\$ 18,973</b>	<b>\$ 4,276</b>	<b>\$ 119,846</b>

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

**TOWN OF ECKLEY, COLORADO**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**December 31, 2018**

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

Total fund balance - governmental funds	\$	73,886
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		114,213
Net pension deferrals used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		(5,887)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		<u>(60,628)</u>
Net position of governmental activities	\$	<u><u>121,584</u></u>

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

**TOWN OF ECKLEY, COLORADO**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**

	General Fund	Community Center Fund	Conservation Trust Fund	Total
<b>Revenues</b>				
Taxes	\$ 32,435			\$ 32,435
Licenses and permits	404			404
Intergovernmental	24,019		\$ 2,562	26,581
Charges for services	24,781	\$ 2,770		27,551
Miscellaneous	3,975	15,202	2	19,179
<b>Total revenues</b>	<b>85,614</b>	<b>17,972</b>	<b>2,564</b>	<b>106,150</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	32,876			32,876
Public safety	9,893			9,893
Public works	40,739			40,739
Culture and recreation	2,179	17,279	767	20,225
<b>Total expenditures</b>	<b>85,687</b>	<b>17,279</b>	<b>767</b>	<b>103,733</b>
<b>Net change in fund balance</b>	<b>(73)</b>	<b>693</b>	<b>1,797</b>	<b>2,417</b>
<b>Fund balance at beginning of year</b>	<b>50,710</b>	<b>18,280</b>	<b>2,479</b>	<b>71,469</b>
<b>Fund balance at end of year</b>	<b>\$ 50,637</b>	<b>\$ 18,973</b>	<b>\$ 4,276</b>	<b>\$ 73,886</b>

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

**TOWN OF ECKLEY, COLORADO**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2018**

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

Net change in fund balance - governmental funds	\$ 2,417
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(15,357)
In the statement of activities, certain operating expenses are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>(2,608)</u>
Change in net position of governmental activities	<u><u>\$ (15,548)</u></u>

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

**TOWN OF ECKLEY, COLORADO**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2018**

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
<b>Assets</b>			
Current assets			
Cash	\$ 64,245	\$ 39,531	\$ 103,776
Certificates of deposit		13,439	13,439
Investments	137		137
Due from other funds	85,723	11,425	97,148
Accounts receivable	9,436	7,272	16,708
Grants receivable		4,230	4,230
Total current assets	159,541	75,897	235,438
Capital assets, net of depreciation	1,251,315	532,306	1,783,621
Restricted certificate of deposit		11,109	11,109
Total assets	1,410,856	619,312	2,030,168
Deferred outflows of resources			
Pension and other post-employment benefit deferrals	4,806	1,635	6,441
Total deferred outflows of resources	4,806	1,635	6,441
Total assets and deferred outflows of resources	\$ 1,415,662	\$ 620,947	\$ 2,036,609

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

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,865	\$ 14,787	\$ 16,652
Due to other funds		79,924	79,924
Accrued interest payable		675	675
Customer deposits	9,195	7,309	16,504
Current portion of long-term debt	5,000	7,900	12,900
Total current liabilities	16,060	110,595	126,655
Long-term liabilities			
Long-term debt	42,500	8,300	50,800
Net pension liability	17,018	4,898	21,916
Net other post-employment benefit liability	1,543	444	1,987
Total long-term liabilities	61,061	13,642	74,703
Total liabilities	77,121	124,237	201,358
Deferred inflows of resources			
Pension and other post-employment benefit deferrals	8,278	2,382	10,660
Total deferred inflows of resources	8,278	2,382	10,660
Net position			
Net investment in capital assets	1,203,815	516,106	1,719,921
Restricted for debt service		11,109	11,109
Unrestricted (deficit)	126,448	(32,887)	93,561
Total net position	1,330,263	494,328	1,824,591
Total liabilities, deferred inflows of resources and net position	\$ 1,415,662	\$ 620,947	\$ 2,036,609

**TOWN OF ECKLEY, COLORADO**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	Business-type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues			
Charges for services	\$ 65,208	\$ 63,544	\$ 128,752
Operating expenses			
Salaries	12,000	4,800	16,800
Supplies	1,590	3,740	5,330
Repairs and maintenance	4,038	9,920	13,958
Insurance	4,914	4,180	9,094
Utilities	6,294	1,919	8,213
Audit and legal	1,577	14,268	15,845
Contract services	6,114		6,114
Water testing	1,956		1,956
Chlorinator	296		296
Miscellaneous	7,948	2,197	10,145
Right of way		1,124	1,124
Depreciation	67,337	10,773	78,110
Total operating expenses	114,064	52,921	166,985
Operating income (loss)	(48,856)	10,623	(38,233)
Nonoperating revenues (expenses)			
Interest on investments	63	200	263
Grant revenue		101,965	101,965
Miscellaneous revenue	2,082		2,082
Pension revenue	1,756	615	2,371
Interest expense		(873)	(873)
Total nonoperating revenues (expenses)	3,901	101,907	105,808
Change in net position	(44,955)	112,530	67,575
Net position at beginning of year, as originally reported	1,377,116	382,621	1,759,737
Prior period adjustment	(1,898)	(823)	(2,721)
Net position at beginning of year	1,375,218	381,798	1,757,016
Net position at end of year	\$ 1,330,263	\$ 494,328	\$ 1,824,591

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

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**TOWN OF ECKLEY, COLORADO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	Business-type Activities Enterprise Funds		
	Water Fund	Scwer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 74,826	\$ 66,644	\$ 141,470
Internal activity - receipts from (payments to) other funds	2,797	(7,020)	(4,223)
Payments to suppliers	(35,799)	(31,222)	(67,021)
Payments to employees	(13,757)	(7,652)	(21,409)
Net cash provided by operating activities	28,067	20,750	48,817
Cash flows from noncapital financing activities			
Miscellaneous revenue	2,082		2,082
Pension revenue	1,756	615	2,371
Net cash provided by noncapital financing activities	3,838	615	4,453
Cash flows from capital and related financing activities			
Purchase of capital assets	(5,644)	(117,433)	(123,077)
Receipt of grant revenues		103,814	103,814
Principal paid on notes and bonds	(5,000)	(7,600)	(12,600)
Interest paid on notes and bonds		(1,189)	(1,189)
Net cash used by capital and related financing activities	(10,644)	(22,408)	(33,052)
Cash flows from investing activities			
Interest on investments	59	130	189
Net cash provided by investing activities	59	130	189
Net increase (decrease) in cash	21,320	(913)	20,407
Cash at beginning of year	42,925	40,444	83,369
Cash at end of year	\$ 64,245	\$ 39,531	\$ 103,776

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

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (48,856)	\$ 10,623	\$ (38,233)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	67,337	10,773	78,110
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Due from other funds	2,797	(5,284)	(2,487)
Accounts receivable	9,710	2,607	12,317
Pension and other post-employment benefit deferrals	7,195	2,237	9,432
Accounts payable	(1,072)	3,889	2,817
Due to other funds		(1,736)	(1,736)
Customer deposits	(92)	493	401
Net pension liability	(8,597)	(2,473)	(11,070)
Net other post-employment benefit liability	(355)	(379)	(734)
Net cash provided by operating activities	<u>\$ 28,067</u>	<u>\$ 20,750</u>	<u>\$ 48,817</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies**

This summary of the Town of Eckley'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 financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Town's accounting policies are described below.

**A.1 – Reporting entity**

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Town has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Town has included the Eckley Community Center in its financial statements using blended presentation. The Eckley Community Center is governed by a volunteer committee and is included as part of the primary government because its sole purpose is to maintain and operate the community center building that is owned by the Town.

**A.2 – Fund accounting**

The Town uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The Town does not have any fiduciary funds.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (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), major capital projects (capital projects fund), and the servicing of general long-term debt (debt service fund). The following are the Town's major governmental funds:

General Fund – The General Fund is the operating fund of the Town. It is used to account for most of the day-to-day operations of the Town which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the Town, except for activities of the enterprise funds.

Community Center Fund – This fund was established to provide for an accounting of those funds received through fundraising and donations for the Eckley Community Center. These funds are to be expended on the maintenance and operations of the Center.

Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

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

Water Fund – This fund was established to account for all operations of the water utility services provided by the Town.

Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the Town.

**Note A.3 – Basis of presentation**

Government-wide financial statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund financial statements – Fund financial statements report detailed information about the Town. 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

**A.4 – Basis of accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Revenues – exchange and nonexchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**A.5 – Encumbrances**

The Town does not utilize encumbrance accounting.

**A.6 – Cash and cash equivalents**

For the purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**A.7 – Short-term interfund receivables/payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

**A.8 – Receivables**

Monthly charges for water services are included with monthly utility billings. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

**A.9 – Inventories**

Inventories in the proprietary funds consist of supplies and are recorded at the lower of cost or market using the first-in, first-out method.

**A.10 – Capital assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis beginning in 2004.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	50 years	50 years
Equipment	3-25 years	3-25 years
Improvements other than buildings	10-50 years	10-50 years
Infrastructure	50 years	n/a

**A.11 – Compensated absences**

It is the policy of the Town to provide their regular employees with greater economic security by granting reasonable personal absences from work due to actual illness or personal reasons. All regular employees of the Town who regularly work a scheduled sixteen hour week may be eligible for these allowances after their first day of employment. Part-time, temporary, and seasonal employees are not eligible. All allowances must be approved by the mayor and/or board of trustees. Full-time employees eligible for these allowances receive sixty hours per year and can be accumulated up to a maximum of 528 hours. Each employee working sixteen hours per week or more shall receive one full week of vacation upon completing one full year of employment with the Town. These allowances are payable at the employee's standard rate of pay in effect at the time of usage. At year-end, the Town had no employees with unused vacation benefits.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

**A.12 – Accrued liabilities and long-term obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, 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 regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable 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.

**A.13 – Net position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**A.14 – Operating revenues and expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are service charges for water and sewer utility services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

**A.15 – Interfund transactions**

Quasi-external transactions 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, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

**A.16 – Extraordinary and special items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the town council and that are either unusual in nature or infrequent in occurrence. The Town had no transactions that qualify as extraordinary or special items during the year.

**A.17 – Fund balance**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

- *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
- *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the Town's highest level of decision-making authority),
- *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
- *Unassigned* fund balance is the residual classification for the Town's general fund and includes all spendable amounts not contained in the other classifications.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Town council through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the Town applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

**Note B – Cash and investments**

Cash and deposits – Colorado State statutes govern the Town’s deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government’s name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of year-end, the Town had total deposits of \$220,606, which were insured in their entirety.

**Investments**

Authorized investments – Investment policies are governed by Colorado State Statutes and the Town’s own investment policies and procedures. Investments of the Town may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note B – Cash and investments (Continued)**

During the year, the Town invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of December 31, 2018, the Town had invested \$389 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the Town had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colotrust	\$ 389	\$ 389	\$ -	\$ -

**Note C – Interfund transactions**

The following is a summary of interfund borrowings for the year as presented in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 11,425
Water Fund	General Fund	5,799
Water Fund	Sewer Fund	79,924
Totals		<u>\$ 97,148</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note D – Receivables**

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Property taxes	\$ 23,766	\$ -	\$ 23,766
Accounts	3,216	16,708	19,924
Taxes	4,890	-	4,890
Grants	-	4,230	4,230
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 31,872</u>	<u>\$ 20,938</u>	<u>\$ 52,810</u>

Property taxes are levied on December 15<sup>th</sup> and attach as a lien on property the following January 1<sup>st</sup>. They are payable in full by April 30<sup>th</sup> or are due in two equal installments on February 28<sup>th</sup> and June 15<sup>th</sup>. Yuma County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the Town in the subsequent month.

**Note E – Capital assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,150	\$ -	\$ -	\$ 3,150
Capital assets, being depreciated:				
Buildings	309,044	-	-	309,044
Equipment	<u>175,741</u>	<u>-</u>	<u>-</u>	<u>175,741</u>
Total capital assets, being depreciated	<u>484,785</u>	<u>-</u>	<u>-</u>	<u>484,785</u>
Total capital assets	487,935	-	-	487,935
Less accumulated depreciation for:				
Buildings	(242,584)	(3,634)	-	(246,218)
Equipment	<u>(115,781)</u>	<u>(11,723)</u>	<u>-</u>	<u>(127,504)</u>
Total accumulated depreciation	<u>(358,365)</u>	<u>(15,357)</u>	<u>-</u>	<u>(373,722)</u>
Governmental activities capital assets, net	<u>\$ 129,570</u>	<u>\$ (15,357)</u>	<u>\$ -</u>	<u>\$ 114,213</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note E – Capital assets (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 4,984	\$ 46,727	\$ -	\$ 51,711
Construction in progress	<u>251,204</u>	<u>70,706</u>	<u>-</u>	<u>321,910</u>
Total capital assets, not being depreciated	256,188	117,433	-	373,621
Capital assets, being depreciated				
Water and sewer system	2,699,981	5,644	-	2,705,625
Equipment	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total capital assets, being depreciated	<u>2,703,981</u>	<u>5,644</u>	<u>-</u>	<u>2,709,625</u>
Total capital assets	2,960,169	123,077	-	3,083,246
Less accumulated depreciation for:				
Water and sewer system	(1,217,515)	(78,110)	-	(1,295,625)
Equipment	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
Total accumulated depreciation	<u>(1,221,515)</u>	<u>(78,110)</u>	<u>-</u>	<u>(1,299,625)</u>
Business-type activities capital assets, net	<u>\$ 1,738,654</u>	<u>\$ 44,967</u>	<u>\$ -</u>	<u>\$ 1,783,621</u>

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

<b>Governmental activities</b>	
General government	\$ 916
Public works	5,937
Culture and recreation	<u>8,504</u>
Total governmental activities	15,357
<b>Business-type activities</b>	
Water	67,337
Sewer	<u>10,773</u>
Total business-type activities	<u>78,110</u>
Total depreciation expense	<u>\$ 93,467</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note F – Long-term debt**

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
Net pension liability	\$ 92,734	\$ -	\$ (34,320)	\$ 58,414	\$ -
Net OPEB liability	<u>2,417</u>	<u>-</u>	<u>(203)</u>	<u>2,214</u>	<u>-</u>
Totals	<u>\$ 95,151</u>	<u>\$ -</u>	<u>\$ (34,523)</u>	<u>\$ 60,628</u>	<u>\$ -</u>

The net pension and OPEB liabilities attributable to the governmental activities will be liquidated by the General Fund.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Business-type activities</b>					
Notes payable	\$ 52,500	\$ -	\$ (5,000)	\$ 47,500	\$ 5,000
Bonds payable	23,800	-	(7,600)	16,200	7,900
Net pension liability	32,986	-	(11,070)	21,916	-
Net OPEB liability	<u>2,721</u>	<u>-</u>	<u>(734)</u>	<u>1,987</u>	<u>-</u>
Total	<u>\$ 112,007</u>	<u>\$ -</u>	<u>\$ (24,404)</u>	<u>\$ 87,603</u>	<u>\$ 12,900</u>

Long-term debt at year-end consists of the following individual issues:

0.0% Drinking Water Revolving Fund Disadvantaged Communities Loan Program due in semi-annual installments of \$2,500, through 2028. \$ 47,500

\$128,000 general obligation sewer revenue bonds dated April 11, 1980, due in annual installments ranging from \$4,000 to \$8,300 through 2020, bearing interest at 5.0%. Principal and interest payments are due annually on March 1<sup>st</sup> beginning in 1981. 16,200

Total \$ 63,700

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note F – Long-term debt (Continued)**

The following schedule represents the Town's debt service requirements to maturity for the outstanding long-term debt at year-end:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 12,900	\$ 810	\$ 13,710
2020	13,300	415	13,715
2021	5,000	-	5,000
2022	5,000	-	5,000
2023	5,000	-	5,000
2024-2028	<u>22,500</u>	<u>-</u>	<u>22,500</u>
Total	<u>\$ 63,700</u>	<u>\$ 1,225</u>	<u>\$ 64,925</u>

**Note G – Segment Information**

The Town maintains two enterprise funds that provide water and sewer services. Segment information for the year is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenue	\$ 65,208	\$ 63,544	\$ 128,752
Depreciation	67,337	10,773	78,110
Operating income (loss)	(48,856)	10,623	(38,233)
Change in net position	(44,955)	112,530	67,575
Net working capital	143,481	(34,698)	108,783
Total assets	1,410,856	619,312	2,030,168
Bonds and other long-term liabilities payable from operating revenues	47,500	16,200	63,700
Total net position	1,330,263	494,328	1,824,591

**Note H – Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased workman's compensation insurance through the Colorado Compensation Insurance Association to provide protection against losses from employees while on the job. The Town has affiliated with the Colorado Intergovernmental Risk Sharing

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note H – Risk management (Continued)**

Agency (CIRSA) to provide protection against losses incurred related to property, casualty, and general liability claims. CIRSA is a separate legal entity established by member municipalities pursuant to the provisions of the Colorado Revised Statutes and the Colorado Constitution. The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees, or officers. The Town makes an annual contribution to CIRSA for its insurance coverage. For the year, the Town's financial contribution to CIRSA was \$11,936. Contingent liability claims for the coverage have not been recognized to date after reviewing claim history and the remoteness of potential loss in excess of actual contributions by the Town. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

**Note I – Defined Benefit Pension Plans**

**PERA – Local Government Division Trust Fund**

Summary of significant accounting policies

*Pensions.* The Town participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

General information about the pension plan

*Plan description.* Eligible employees of the Town are provided with pensions through the Local Government Division Trust Fund (LGDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions as of December 31, 2018.* Eligible employees and the Town are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

	<u>Rate</u>
Employer contribution rate <sup>1</sup>	10.00%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f) <sup>1</sup>	<u>(1.02)%</u>
Amount apportioned to the LGDTF <sup>1</sup>	8.98%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	<u>1.50%</u>
Total employer contribution to the LGDTF <sup>1</sup>	<u><u>12.68%</u></u>

<sup>1</sup> Rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Town were \$3,448 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the Town reported a liability of \$46,334 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Town's proportion of the net pension liability was based on the Town's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Town's proportion was 0.0042 percent, which was a decrease of 0.0010 percent from its proportion measured as of December 31, 2016.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

For the year, the Town recognized pension expense of \$1,509. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,926	\$ -
Changes of assumptions or other inputs	608	-
Net difference between projected and actual earnings on pension plan investments	6,842	13,359
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	8,317
Contributions subsequent to the measurement date	<u>3,448</u>	<u>-</u>
Total	<u>\$ 13,824</u>	<u>\$ 21,676</u>

\$3,448 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ (3,834)
2020	(866)
2021	(3,260)
2022	<u>(3,340)</u>
Totals	<u>\$ (11,300)</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ <u>73,795</u>	\$ <u>46,334</u>	\$ <u>23,441</u>

*Pension plan fiduciary net position.* Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Payables to the pension plan

The Town did not report any payables to the pension plan at year-end.

Changes between the measurement date of the net pension liability and December 31, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At year end, the Town reported a liability of \$46,334 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the Town's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$32,773

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

**Eckley Volunteer Fire Department Pension Fund**

Summary of significant accounting policies

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Eckley Volunteer Fire Department Pension Fund and additions to/deductions from Eckley Volunteer Fire Department Pension Fund's net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

*Plan administration.* The Town's defined benefit pension plan for volunteers provides retirement and death benefits to plan members and beneficiaries. The plan is affiliated with the Fire and Police Member's Benefit Fund, an agent multiple-employer pension plan administered by the Fire and Police Pension Association (FPPA) of Colorado. Title 31, Article 30 of the Colorado Revised Statutes assigns the authority to establish and amend the benefit provisions of the plans that participate in FPPA to the respective member entities. The FPPA issues a publicly available financial report that includes financial statements and required supplementary information for Public Employee Retirement System (PERS) Affiliated Local Plans that can be obtained at [www.fppaco.org](http://www.fppaco.org).

Management of the Eckley Volunteer Fire Department Pension Fund is vested in the local Pension Board, which consists of the Town Mayor, Clerk, two persons appointed by the governing body of the Town, and three representatives of the local fire department serving the Town.

*Plan membership.* At December 31, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>14</u>
Total	<u>25</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

*Benefits provided.* The plan provides retirement and death benefits. Any firefighter who has both reached the age of 50 and completed 20 years of active service shall be eligible for a monthly pension (currently \$26 per month). Vesting for reduced monthly pension benefits begins at 10 years of service, with full pension after 20 years. The plan also provides for a lump-sum burial benefit of \$100 upon the death of an active or retired firefighter, as well as a monthly survivor benefit (currently \$13 per month). The plan does not provide for disability benefits.

*Contributions.* Contribution requirements of the plan are established under Title 31, Article 30 of the Colorado Revised Statutes. The plan is noncontributory regarding participants. Contributions to the plan for the year ended December 31, 2018 included \$0 from the State of Colorado matching funds and \$3,800 from the Town.

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

At December 31, 2018 the Town reported a net pension liability of \$33,996. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2018, the Town recognized pension expense (income) of \$8,111. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 428
Changes of assumptions or other inputs	15,152	20,067
Net difference between projected and actual earnings on pension plan investments	909	1,056
Contributions subsequent to the measurement date	<u>3,800</u>	<u>-</u>
Total	<u>\$ 19,861</u>	<u>\$ 21,551</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

\$3,800 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31, _____	Amount
2019	\$ 209
2020	272
2021	(4,452)
2022	<u>(1,519)</u>
Totals	<u>\$ (5,490)</u>

*Actuarial assumptions.* The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	50% per year of eligibility until 100% at age 65

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of a regularly scheduled experience study in 2015. As a result of the 2015 experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.0 percent to 2.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2017, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	2%	2.26%
Fixed Income	15%	3.00%
Managed Futures	4%	6.85%
Absolute Return	9%	6.46%
Long Short	9%	7.15%
Global Public Equity	37%	8.33%
Private Capital	<u>24%</u>	9.70%*
Totals	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note I – Defined Benefit Pension Plans (Continued)**

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31% (based on the weekly rate closest to but not later than the measurement date of the “state and local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Changes in the net pension liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability	Plan Fiduciary Position	Net Pension Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at beginning of year	\$ 78,334	\$ 22,353	\$ 55,981
Changes for the year			
Service cost	789	-	789
Interest on total pension liability	3,111	-	3,111
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	(26,338)	-	(26,338)
Contributions – employer	-	2,509	(2,509)
Contributions – state of colorado	-	-	-
Net investment income	-	2,750	(2,750)
Benefit and refund payments	(3,490)	(3,490)	-
Administrative expenses	-	(5,712)	5,712
Net changes	<u>(25,928)</u>	<u>(3,943)</u>	<u>(21,985)</u>
Balances at end of year	<u>\$ 52,406</u>	<u>\$ 18,410</u>	<u>\$ 33,996</u>

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

	1% Decrease	Current Discount	1% Increase
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net pension liability (asset)	<u>\$ 39,391</u>	<u>\$ 33,996</u>	<u>\$ 28,478</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note I – Defined Benefit Pension Plans (Continued)**

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Eckley Volunteer Fire Department Pension Fund financial report.

Payables to the pension plan

The Town did not report any payables to the pension plan at year-end.

**Note J – Defined benefit other post-employment benefit (OPEB) plan**

Summary of significant accounting policies

*OPEB.* The Town participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the OPEB plan

*Plan description.* Eligible employees of the Town are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. Section 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

For the benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. Section 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charges to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of the benefit recipients not covered by Medicare Part A.

*DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Town were \$277 for the year ended.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At year-end, the Town reported a liability of \$4,201 for its proportionate share of the net OPEB liability. The net pension OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Town's proportion of the net OPEB liability was based on the Town's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Town's proportion was 0.0003 percent, which was a decrease of 0.0001 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$513. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 20	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	70
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	791
Contributions subsequent to the measurement date	<u>277</u>	<u>-</u>
Total	<u>\$ 297</u>	<u>\$ 861</u>

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

\$277 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>December 31, _____</u>	<u>Amount</u>
2019	\$ (169)
2020	(169)
2021	(169)
2022	(169)
2023	(151)
2024	<u>(14)</u>
Totals	<u>\$ (841)</u>

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as show below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF.

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	<u>3.25%</u>	<u>4.25%</u>	<u>5.25%</u>
Net OPEB Liability	\$ 4,087	\$ 4,201	\$ 4,342

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)**

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ 4,725	\$ 4,201	\$ 3,757

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Payables to the OPEB plan

The Town did not report any payables to the OPEB plan at year-end.

**Note K – Commitments and contingencies**

**TABOR Amendment**

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate. On November 4, 1997, the voters of the Town approved a ballot initiative permitting the Town to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of TABOR. However, the Town has made certain interpretations of TABOR's language in order to determine its compliance. The Town has reserved funds in the General Fund in the amount of \$8,100 for the emergency reserve.

**TOWN OF ECKLEY, COLORADO**  
**Notes to Financial Statements**

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**Note K – Commitments and contingencies (Continued)**

**Colorado local government budget laws**

Expenditures in the Community Center and Conservation Trust Funds have exceeded their appropriations by \$1,067 and \$167, respectively, which may be a violation of local government budget laws.

**Note L – Debt Covenant Compliance**

The loan agreement with Colorado Water Resources and Power Development Authority (Drinking Water Revolving Fund Disadvantaged Communities Loan Program) contains various covenants including the establishment and maintenance of an operations and maintenance reserve fund in an amount equal to three months of operation and maintenance expenses as set forth in the annual budget for the current fiscal year. Based on the current annual budget, three months of operation and maintenance expenses totaled \$40,350, which the Town has funded with unobligated fund balances. The Town must also maintain water rates, fees and other charges that will cover operation and maintenance expenses and at least 110% of debt service for the calendar year. The Town believes it is in compliance with the covenants as set forth in the loan agreement.

**Note M – Prior period restatement**

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the Town to recognize a liability for its proportionate share of the net OPEB liability of PERA's Health Care Trust Fund (see Note J), as well as OPEB expense, and to report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The Town has reduced the beginning net position due to the adoption of this statement as follows:

	Beginning Net Position, as Originally Reported	Prior Period Adjustment	Beginning Net Position, as Restated
Governmental Activities	\$ 139,549	\$ (2,417)	\$ 137,132
Business-type Activities	1,759,737	(2,721)	1,757,016
Water Fund	1,377,116	(1,898)	1,375,218
Sewer Fund	382,621	(823)	381,798

### **Required Supplementary Information**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of the Town's Proportionate Share of the Net Pension Liability – PERA's Local Government Division Trust Fund
- Schedule of Town Contributions – PERA's Local Government Division Trust Fund
- Schedule of the Town's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of Town Contributions – PERA's Health Care Trust Fund
- Schedule of Changes in the Town's Net Pension Liability/(Asset) and Related Ratios – Eckley Volunteer Fire Department Pension Fund
- Schedule of Town Contributions – Eckley Volunteer Fire Department Pension Fund
- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Community Center Fund
- Budgetary Comparison Schedule – Conservation Trust Fund

**TOWN OF ECKLEY, COLORADO**  
**Schedule of the Town's Proportionate Share of the Net Pension Liability <sup>1</sup>**  
**PERA's Local Government Division Trust Fund**  
**December 31, 2018**

	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0042%	0.0052%	0.0067%	0.0060%
Town's proportionate share of the net pension liability	\$ 46,334	\$ 69,739	\$ 73,720	\$ 53,613
Town's covered payroll	\$ 26,252	\$ 31,304	\$ 38,007	\$ 32,776
Town's proportionate share of the net pension liability as a percentage of its covered payroll	176.50%	222.78%	193.96%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	79.37%	73.60%	76.90%	80.70%

\* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

<sup>1</sup> Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

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2014

0.0054%

\$ 44,631

\$ 28,935

154.25%

77.66%

**TOWN OF ECKLEY, COLORADO**  
**Schedule of Town Contributions <sup>1</sup>**  
**PERA's Local Government Division Trust Fund**  
**December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,448	\$ 3,329	\$ 3,969	\$ 4,819
Contributions in relation to the contractually required contribution	<u>(3,448)</u>	<u>(3,329)</u>	<u>(3,969)</u>	<u>(4,819)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 27,191	\$ 26,252	\$ 31,304	\$ 38,007
Contributions as a percentage of covered payroll	12.68%	12.68%	12.68%	12.68%

<sup>1</sup> Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

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<u>2014</u>	<u>2013</u>
\$ 4,156	\$ 3,669
<u>(4,156)</u>	<u>(3,669)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 32,776	\$ 28,935
12.68%	12.68%

**TOWN OF ECKLEY, COLORADO**  
**Schedule of the Town's Proportionate Share of the Net OPEB Liability <sup>1</sup>**  
**PERA's Health Care Trust Fund**  
**December 31, 2018**

	2018	2017
Town's proportion of the net OPEB liability	0.0003%	0.0004%
Town's proportionate share of the net OPEB liability	\$ 4,201	\$ 5,138
Town's covered payroll	\$ 26,252	\$ 31,304
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.00%	16.41%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

\* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

<sup>1</sup> Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**TOWN OF ECKLEY, COLORADO**  
**Schedule of Town Contributions <sup>1</sup>**  
**PERA's Health Care Trust Fund**  
**December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 277	\$ 268	\$ 319
Contributions in relation to the contractually required contribution	<u>(277)</u>	<u>(268)</u>	<u>(319)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 27,191	\$ 26,252	\$ 31,304
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

<sup>1</sup> Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**TOWN OF ECKLEY, COLORADO**  
**Schedule of Changes in the Town's Net Pension Liability/(Asset) and Related Ratios <sup>1</sup>**  
**Eckley Volunteer Fire Department Pension Fund**  
**Last 10 Fiscal Years**

	2018	2017	2016	2015
<b>Total pension liability</b>				
Service cost	\$ 789	\$ 294	\$ 294	\$ 315
Interest on the total pension liability	3,111	3,633	3,575	3,639
Differences between expected and actual experience	-	(579)	-	(1,705)
Assumption changes	(26,338)	28,284	-	-
Benefit payments	(3,490)	(3,120)	(3,094)	(3,090)
Net change in total pension liability	(25,928)	28,512	775	(841)
Total pension liability - beginning	78,334	49,822	49,047	49,888
Total pension liability - ending (a)	<u>\$ 52,406</u>	<u>\$ 78,334</u>	<u>\$ 49,822</u>	<u>\$ 49,047</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 2,509	\$ -	\$ 2,209	\$ 2,209
Net investment income	2,750	1,157	434	1,448
Benefit payments	(3,490)	(3,120)	(3,094)	(3,090)
Pension plan administrative expenses	(5,712)	(312)	(1,183)	(419)
State of Colorado supplemental discretionary payment	-	1,000	1,000	1,000
Net change in plan fiduciary net position	(3,943)	(1,275)	(634)	1,148
Plan fiduciary net position - beginning	22,353	23,628	24,262	23,114
Plan fiduciary net position - ending (b)	<u>\$ 18,410</u>	<u>\$ 22,353</u>	<u>\$ 23,628</u>	<u>\$ 24,262</u>
<b>Town's net pension liability/(asset) - ending (a) - (b)</b>	<u>\$ 33,996</u>	<u>\$ 55,981</u>	<u>\$ 26,194</u>	<u>\$ 24,785</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	35.13%	28.54%	47.42%	49.47%
<b>Covered payroll</b>	N/A	N/A	N/A	N/A
<b>Town's net pension liability as a percentage of covered payroll</b>	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

<sup>1</sup> Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**TOWN OF ECKLEY, COLORADO**  
**Schedule of Town Contributions <sup>1</sup>**  
**Eckley Volunteer Fire Department Pension Fund**  
**Last 10 Fiscal Years**

	Actuarially Determined Contribution	Actual Contribution *	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a % of Covered Payroll
(a)	(b)	(c)	(d) = (b) - (c)	(e)	(f)
2018	\$ 3,800	\$ 3,800	\$ -	N/A	N/A
2017	2,509	2,509	-	N/A	N/A
2016	2,509	1,000	1,509	N/A	N/A
2015	2,872	3,209	(337)	N/A	N/A
2014	2,872	3,209	(337)	N/A	N/A

\* Includes both employer and State of Colorado Supplemental Discretionary Payment.

<sup>1</sup> Until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**TOWN OF ECKLEY, COLORADO**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 32,000	\$ 32,000	\$ 32,435	\$ 435
Licenses and permits	400	400	404	4
Intergovernmental	17,820	17,820	24,019	6,199
Fines and forfeitures	1,000	1,000		(1,000)
Charges for services	18,000	18,000	24,781	6,781
Miscellaneous	10,500	10,500	3,975	(6,525)
Total revenues	79,720	79,720	85,614	5,894
Expenditures				
Current				
General government	38,200	38,200	32,876	5,324
Public safety	11,921	11,921	9,893	2,028
Public works	48,539	48,539	40,739	7,800
Culture and recreation	3,940	3,940	2,179	1,761
Appropriated reserves	700	700		700
Total expenditures	103,300	103,300	85,687	17,613
Net change in fund balance	\$ (23,580)	\$ (23,580)	(73)	\$ 23,507
Fund balance at beginning of year			50,710	
Fund balance at end of year			\$ 50,637	

**TOWN OF ECKLEY, COLORADO**  
**Community Center Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions	\$ 2,700	\$ 2,700	\$ 477	\$ (2,223)
Fundraising	13,000	13,000	14,706	1,706
Interest on investments	28	28	19	(9)
Gym rental			2,770	2,770
Miscellaneous	800	800		(800)
Total revenues	16,528	16,528	17,972	1,444
Expenditures				
Current				
Culture and recreation				
Advertising	250	250	306	(56)
Utilities	4,358	4,358	3,950	408
Repairs and maintenance	1,300	1,300	1,395	(95)
Fundraising	8,000	8,000	11,386	(3,386)
Miscellaneous	2,000	2,000	242	1,758
Supplies	304	304		304
Total expenditures	16,212	16,212	17,279	(1,067)
Net change in fund balance	\$ 316	\$ 316	693	\$ 377
Fund balance at beginning of year			18,280	
Fund balance at end of year			\$ 18,973	

**TOWN OF ECKLEY, COLORADO**  
**Conservation Trust Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,900	\$ 1,900	\$ 2,562	\$ 662
Interest on investments	15	15	2	(13)
Total revenues	1,915	1,915	2,564	649
Expenditures				
Current				
Culture and recreation	600	600	767	(167)
Net change in fund balance	\$ 1,315	\$ 1,315	1,797	\$ 482
Fund balance at beginning of year			2,479	
Fund balance at end of year			\$ 4,276	

**TOWN OF ECKLEY, COLORADO**  
**Notes to the Required Supplementary Information**

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**Note A – Budgetary data**

Annual budgets are established for all funds of the Town, except for the pension trust funds, as required by its local charter. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise funds (water and sewer) in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

An appropriated budget for the entity as a whole is prepared on a detailed basis. Revenues are budgeted by source. Expenditures are budgeted by department and the major divisions thereof and by each independent office and agency and by the principal objects of expenditure. The legal level of control is considered to be the entity as a whole and expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by Town council. Within these control levels, management may transfer appropriations without Town council approval.

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

- On or before September 20<sup>th</sup> of each year, or in conformity with the general state law, the Town clerk submits to the Town council a budget which shall be a complete financial plan for the ensuing fiscal year.
- At the same time the budget is submitted, the Town manager shall also prepare an appropriation ordinance making a levy in mills upon all taxable property within the Town for the ensuing fiscal year.
- A public hearing on the budget shall be held by Town council two weeks after its submission. Notice of the time and place of said hearing shall be published within three days after the submission of the budget.
- Prior to December 15<sup>th</sup>, or in conformity with the general state law, the Town council shall adopt the budget and the tax levy ordinance.
- Any portion of any annual appropriation remaining unexpended and unencumbered at the close of the budget year shall be declared surplus and included in the budget for the ensuing year as those appropriations lapse at year-end.

**TOWN OF ECKLEY, COLORADO**  
**Notes to the Required Supplementary Information**

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**Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules**

Information about factors that significantly affect trends in the amounts reported in the Schedules of the Town's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of Town Contributions is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### **Other Supplementary Information**

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- Budgetary Comparison Schedules – General Fund
- Budgetary Comparison Schedules – Proprietary Funds

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## **Budgetary Comparison Schedules – General Fund**

The General Fund accounts for all transactions of the Town not required to be accounted for in other funds. This fund represents an accounting of the Town's ordinary operations financed primarily from tax dollars and intergovernmental aid. It is the most significant fund in relation to the Town's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

**TOWN OF ECKLEY, COLORADO**  
**General Fund**  
**Budgetary Comparison Schedule - Revenues**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Property taxes	\$ 20,000	\$ 20,000	\$ 22,777	\$ 2,777
Specific ownership taxes	2,000	2,000	2,574	574
Delinquent taxes and interest			73	73
Franchise taxes	7,000	7,000	6,471	(529)
Severance taxes	3,000	3,000	540	(2,460)
Total taxes	32,000	32,000	32,435	435
Licenses and permits	400	400	404	4
Intergovernmental				
Motor vehicle assessments	1,320	1,320	1,305	(15)
Road and bridge taxes			1,210	1,210
Cigarette taxes			40	40
Highway users tax	16,500	16,500	21,012	4,512
Mineral lease			452	452
Total intergovernmental	17,820	17,820	24,019	6,199
Fines and forfeitures	1,000	1,000		(1,000)
Charges for services	18,000	18,000	24,781	6,781
Miscellaneous				
Interest on investments	500	500	687	187
Rent and collection fees			474	474
Contributions	1,000	1,000	217	(783)
Miscellaneous	9,000	9,000	2,597	(6,403)
Total miscellaneous	10,500	10,500	3,975	(6,525)
Total revenues	\$ 79,720	\$ 79,720	\$ 85,614	\$ 5,894

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**TOWN OF ECKLEY, COLORADO**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Salaries	\$ 4,000	\$ 4,000	\$ 4,368	\$ (368)
Employee benefits	5,500	5,500	4,033	1,467
Supplies	1,000	1,000	1,127	(127)
Maintenance	200	200	191	9
Utilities	2,600	2,600	5,612	(3,012)
Travel	300	300	300	300
Insurance	5,500	5,500	4,288	1,212
Reporting and publishing	200	200	169	31
Audit and legal	7,300	7,300	6,130	1,170
Dues	1,500	1,500	299	1,201
County treasurer fees			930	(930)
Contract services	1,000	1,000	2,412	(1,412)
Miscellaneous	8,100	8,100	3,317	4,783
Capital outlay	1,000	1,000		1,000
Total general government	38,200	38,200	32,876	5,324
Public safety				
Police				
Contract services	2,400	2,400	2,400	-
Legal	400	400		400
Total police	2,800	2,800	2,400	400
Fire				
Pension contribution	2,209	2,209	3,800	(1,591)
Repairs	1,500	1,500	268	1,232
Utilities	5,400	5,400	3,410	1,990
Miscellaneous	12	12	15	(3)
Total fire	9,121	9,121	7,493	1,628
Total public safety	11,921	11,921	9,893	2,028

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public works				
Highways and streets				
Salaries	6,920	6,920	4,937	1,983
Utilities	6,500	6,500	4,682	1,818
Maintenance and supplies	2,010	2,010	4,006	(1,996)
Gas and oil	2,500	2,500	2,175	325
Vehicle	510	510	1,637	(1,127)
Insurance	699	699		699
Capital outlay	6,200	6,200		6,200
Total highways and streets	25,339	25,339	17,437	7,902
Sanitation				
Landfill costs	3,000	3,000	3,146	(146)
Trash removal	20,200	20,200	20,156	44
Total sanitation	23,200	23,200	23,302	(102)
Total public works	48,539	48,539	40,739	7,800
Culture and recreation				
Community center				
Telephone and utilities	800	800	639	161
Repairs and maintenance	1,000	1,000		1,000
Total community center	1,800	1,800	639	1,161
Parks				
Salaries	840	840	939	(99)
Maintenance and supplies	1,100	1,100	532	568
Miscellaneous	200	200	69	131
Total parks	2,140	2,140	1,540	600
Total culture and recreation	3,940	3,940	2,179	1,761
Appropriated reserves	700	700		700
Total expenditures	\$ 103,300	\$ 103,300	\$ 85,687	\$ 17,613

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## **Budgetary Comparison Schedules – Proprietary Funds**

The Town reports the following major proprietary funds:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Water Fund – This fund was established to account for all operations of the water utility service provided by the Town.
- Sewer Fund – This fund was established to account for all operations of the sewer utility services provided by the Town.

**TOWN OF ECKLEY, COLORADO**  
**Water Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 72,000	\$ 72,000	\$ 65,208	\$ (6,792)
Operating expenses				
Salaries	12,000	12,000	12,000	-
Supplies	2,000	2,000	1,590	410
Repairs and maintenance	1,500	1,500	4,038	(2,538)
Insurance	6,600	6,600	4,914	1,686
Utilities	6,500	6,500	6,294	206
Audit and legal	2,500	2,500	1,577	923
Contract services	6,000	6,000	6,114	(114)
Water testing	1,000	1,000	1,956	(956)
Chlorinator	800	800	296	504
Miscellaneous			7,948	(7,948)
Pension expense	4,000	4,000		4,000
Capital outlay	53,000	53,000	5,644	47,356
Appropriated reserves	60,500	60,500		60,500
Total operating expenses	156,400	156,400	52,371	104,029
Operating income (loss)	(84,400)	(84,400)	12,837	97,237
Nonoperating revenues (expenses)				
Interest on investments	50	50	63	13
Miscellaneous	50,000	50,000	2,082	(47,918)
Pension revenue			1,756	1,756
Principal paid on debt	(5,000)	(5,000)	(5,000)	-
Total nonoperating revenues (expenses)	45,050	45,050	(1,099)	(46,149)
Change in net position	\$ (39,350)	\$ (39,350)	11,738	\$ 51,088

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Adjustments to GAAP Basis				
Add note principal			5,000	
Add capital outlay			5,644	
Deduct depreciation			(67,337)	
Change in net position - GAAP Basis			(44,955)	
Net position at beginning of year, as originally reported			1,377,116	
Prior period adjustment			(1,898)	
Net position at beginning of year, as restated			1,375,218	
Net position at end of year			\$ 1,330,263	

**TOWN OF ECKLEY, COLORADO**  
**Sewer Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 48,500	\$ 48,500	\$ 63,544	\$ 15,044
Operating expenses				
Salaries	4,800	4,800	4,800	-
Supplies	3,500	3,500	3,740	(240)
Repairs and maintenance	8,000	8,000	9,920	(1,920)
Insurance	4,000	4,000	4,180	(180)
Utilities	4,000	4,000	1,919	2,081
Audit and legal	15,000	15,000	14,268	732
Pension expense	2,000	2,000		2,000
Right-of-way	2,000	2,000	1,124	876
Miscellaneous	10,000	10,000	2,197	7,803
Capital outlay	1,113,000	1,113,000	117,433	995,567
Total operating expenses	1,166,300	1,166,300	159,581	1,006,719
Operating loss	(1,117,800)	(1,117,800)	(96,037)	1,021,763
Nonoperating revenues (expenses)				
Interest on investments	200	200	200	-
Loan and grant revenues	1,113,000	1,113,000	101,965	(1,011,035)
Miscellaneous	15,000	15,000		(15,000)
Pension revenue			615	615
Principal paid on debt	(7,600)	(7,600)	(7,600)	-
Interest paid on debt	(1,190)	(1,190)	(873)	317
Total nonoperating revenues (expenses)	1,119,410	1,119,410	94,307	(1,025,103)
Change in net position	\$ 1,610	\$ 1,610	(1,730)	\$ (3,340)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Adjustments to GAAP Basis				
Add bond principal			7,600	
Add capital outlay			117,433	
Deduct depreciation			(10,773)	
Change in net position - GAAP Basis			112,530	
Net position at beginning of year, as originally reported			382,621	
Prior period adjustment			(823)	
Net position at beginning of year, as restated			381,798	
Net position at end of year			\$ 494,328	

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**Colorado Department of Highways  
Local Highway Finance Report**

This calendar-year report of receipts and expenditures is required by the Colorado Department of Highways to maintain Statewide accountability for moneys used for highway and street purposes. To ensure data accuracy, House Bill 1008 mandates that this report be included in the Town's financial statements.

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Town of Eckley YEAR ENDING : 2018
This Information From The Records Of (example - City of _ or County of _) Town of Eckley	Prepared By: Cheryl Rogers Phone: 970-359-2222

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

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

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

ITEM	AMOUNT
<b>A. Receipts from local sources:</b>	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	0
3. Other local imposts (from page 2)	2,574
4. Miscellaneous local receipts (from page 2)	0
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	2,574
<b>B. Private Contributions</b>	
<b>C. Receipts from State government</b> (from page 2)	22,317
<b>D. Receipts from Federal Government</b> (from page 2)	0
<b>E. Total receipts (A.7 + B + C + D)</b>	24,891

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

ITEM	AMOUNT	
<b>A. Local highway disbursements:</b>		
1. Capital outlay (from page 2)	0	
2. Maintenance:	4,006	
3. Road and street services:		
a. Traffic control operations	0	
b. Snow and ice removal	0	
c. Other	0	
d. Total (a. through c.)	0	
4. General administration & miscellaneous	13,431	
5. Highway law enforcement and safety	0	
6. Total (1 through 5)	17,437	
<b>B. Debt service on local obligations:</b>		
<b>I. Bonds:</b>		
a. Interest		
b. Redemption		
c. Total (a. + b.)	0	
<b>2. Notes:</b>		
a. Interest		
b. Redemption		
c. Total (a. + b.)	0	
3. Total (1.c + 2.c)	0	
<b>C. Payments to State for highways</b>		
<b>D. Payments to toll facilities</b>		
<b>E. Total disbursements (A.6 + B.3 + C + D)</b>		17,437

**IV. LOCAL HIGHWAY DEBT STATUS**  
(Show all entries at par)

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	15,782	24,891	17,437	23,236	0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
12/18

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	2,574	g. Other Misc. Receipts	
6. Total (1. through 5.)	2,574	h. Other	
c. Total (a. + b.)	2,574	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	21,012	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	1,305	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.)	1,305	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	22,317	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)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: