



TOWN OF IGNACIO, COLORADO
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF IGNACIO, COLORADO

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Independent Auditors' Report

The Honorable Mayor and Board
Town of Ignacio, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ignacio, Colorado, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension related schedules and notes as 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 of Ignacio, Colorado's basic financial statements. The combining statements, budgetary comparison schedules, and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018, on our consideration of the Town of Ignacio, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ignacio, Colorado's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
June 8, 2018

TOWN OF IGNACIO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

As management of the Town of Ignacio (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2017. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows exceeded total liabilities plus deferred inflows (net position) by \$5.9 million at the close of the fiscal year. This was an increase of \$456,315 over the previous year.
- Total governmental and business-type net position increased by a combined total of \$456,315. This is compared to last year's change in net position of \$403,167.
- The total cost of all Town programs for 2017 was \$2,725,367.
- The general fund unassigned fund balance at the end of 2017 was \$656,563 which is 51.8% of total General fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, parks and recreation, affordable housing and interest on long-term debt. Sales taxes, property taxes, franchise taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$5.9 million as of December 31, 2017 as shown in the following condensed statement of net position. Of this amount, \$1,408,071 is unrestricted and available to meet the Town's ongoing financial obligations.

By far the largest portion of net position is the net investment in capital assets of \$4,300,149 (73.0% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to account for its water, gas, sewer, and irrigation operations in enterprise funds which are shown as Business Activities.

The following table summarizes the Town's governmental and business-type net position as of December 31, 2017 and 2016:

TOWN OF IGNACIO, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current and other assets	\$ 1,016,720	\$ 742,501	\$ 675,792	\$ 875,684	\$ 1,692,512	\$ 1,618,185
Capital assets	1,160,397	1,246,574	3,815,098	3,398,039	4,975,495	4,644,613
Total assets	<u>2,177,117</u>	<u>1,989,075</u>	<u>4,490,890</u>	<u>4,273,723</u>	<u>6,668,007</u>	<u>6,262,798</u>
Deferred Outflows of Resources	158,457	139,014	-	-	158,457	139,014
Long-term liabilities outstanding	105,967	79,846	672,535	711,962	778,502	791,808
Other liabilities	40,980	45,098	85,215	100,785	126,195	145,883
Total liabilities	<u>146,947</u>	<u>124,944</u>	<u>757,750</u>	<u>812,747</u>	<u>904,697</u>	<u>937,691</u>
Deferred Inflows of Resources	33,135	31,804	-	-	33,135	31,804
Net position:						
Net investment in capital assets	1,149,288	1,230,853	3,150,861	2,695,990	4,300,149	3,926,843
Restricted	180,412	144,970	-	-	180,412	144,970
Unrestricted	825,792	595,518	582,279	764,986	1,408,071	1,360,504
Total net position	<u>\$ 2,155,492</u>	<u>\$ 1,971,341</u>	<u>\$ 3,733,140</u>	<u>\$ 3,460,976</u>	<u>\$ 5,888,632</u>	<u>\$ 5,432,317</u>

An additional portion of net position, \$180,412, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,408,071 (23.9% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

The cost of all Governmental activities this year was \$1,477,069 as shown in the Changes in Net Position statement below. \$90,445 of this cost was paid for by those who directly benefited from the programs. \$327,294 was subsidized by grants or contributions received from other governmental organizations for both capital and operating activities. General taxes, investment earnings and other revenues totaled \$1,226,981.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Parks & Recreation and Affordable Housing. Each program's revenues and expenses are presented below.

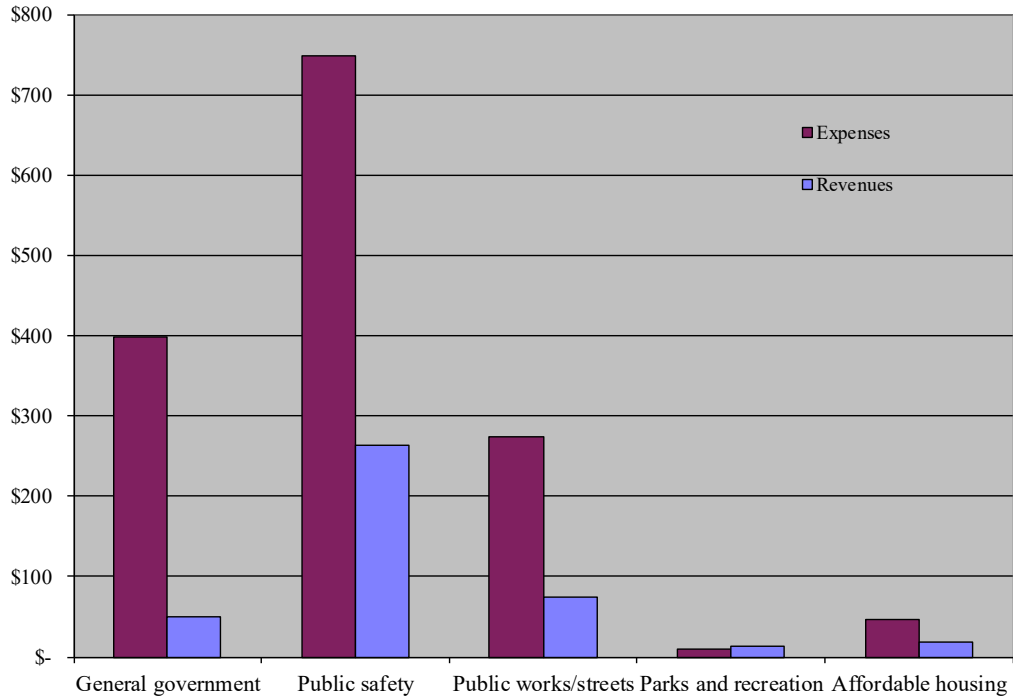
TOWN OF IGNACIO, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Revenues:						
Program revenues:						
Charges for services	\$ 90,445	\$ 151,186	\$ 1,222,902	\$ 1,218,345	\$ 1,313,347	\$ 1,369,531
Operating grants and contributions	296,644	210,514	-	-	296,644	210,514
Capital grants and contributions	30,650	4,183	314,053	60,790	344,703	64,973
General revenues:						
Taxes	1,226,965	1,174,227	-	-	1,226,965	1,174,227
Investment earnings	16	17	7	8	23	25
Total revenues	<u>1,644,720</u>	<u>1,540,127</u>	<u>1,536,962</u>	<u>1,279,143</u>	<u>3,181,682</u>	<u>2,819,270</u>
Expenses:						
General government	398,510	331,516	-	-	398,510	331,516
Public safety	748,449	658,110	-	-	748,449	658,110
Public works/streets	274,120	242,750	-	-	274,120	242,750
Parks and recreation	9,621	19,339	-	-	9,621	19,339
Affordable housing	45,761	17,732	-	-	45,761	17,732
Interest on long-term debt	608	2,588	-	-	608	2,588
Water	-	-	278,681	281,798	278,681	281,798
Gas	-	-	421,327	311,277	421,327	311,277
Sewer	-	-	521,612	526,141	521,612	526,141
Irrigation	-	-	26,678	24,852	26,678	24,852
Total expenses	<u>1,477,069</u>	<u>1,272,035</u>	<u>1,248,298</u>	<u>1,144,068</u>	<u>2,725,367</u>	<u>2,416,103</u>
Increase (decrease) in net position before transfers	167,651	268,092	288,664	135,075	456,315	403,167
Transfers	16,500	-	(16,500)	-	-	-
Net position, beginning	1,971,341	1,703,249	3,460,976	3,325,901	5,432,317	5,029,150
Net position, ending	<u>\$ 2,155,492</u>	<u>\$ 1,971,341</u>	<u>\$ 3,733,140</u>	<u>\$ 3,460,976</u>	<u>\$ 5,888,632</u>	<u>\$ 5,432,317</u>

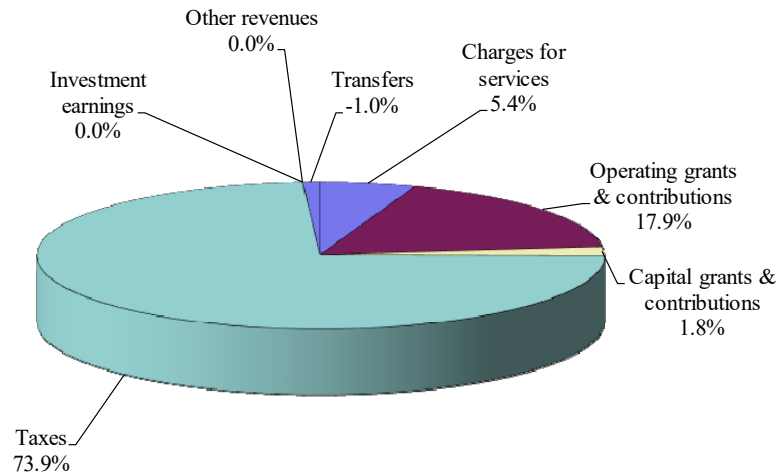
Total resources available during the year to finance governmental operations were \$3,632,561 consisting of Net position at January 1, 2017 of \$1,971,341, program revenues of \$417,739, General Revenues of \$1,226,981, and transfers in of \$16,500. Total Governmental Activities expenses during the year were \$1,477,069 and transfers out were \$0; thus Governmental Net Position increased by \$184,151 to \$2,155,492

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



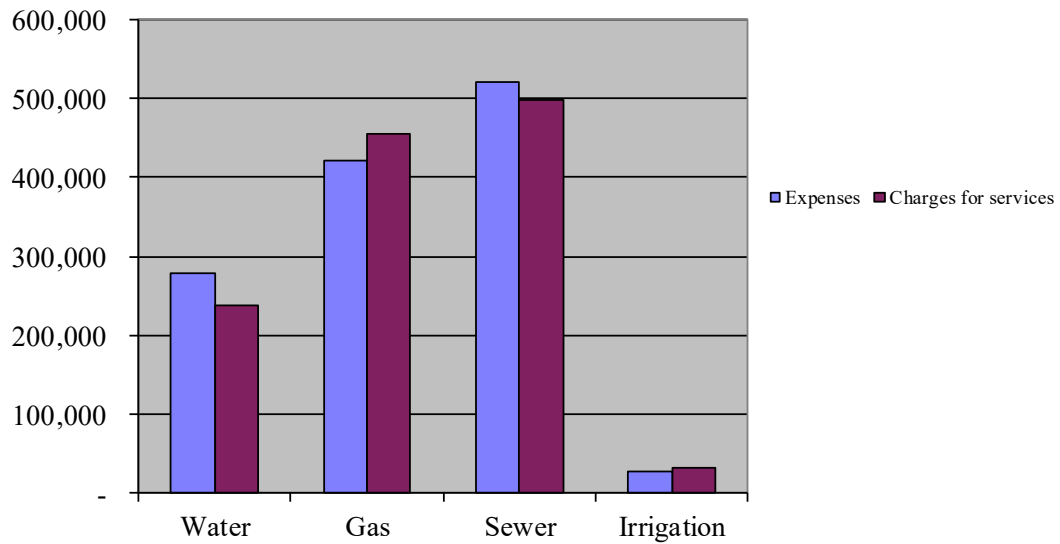
Revenue By Source - Governmental Activities



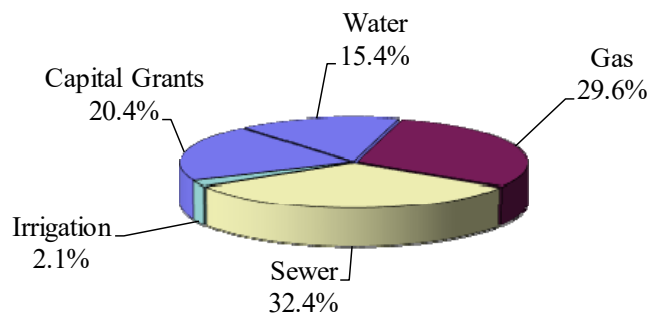
Business Type Activities

Net position of the Business Type activities at December 31, 2017, as reflected in the Statement of Net Position was \$3.7 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,248,298 as shown in the statement of Changes in Net Position. The amounts paid by users of the system were \$1,222,902 and there was \$314,053 subsidized by capital grants and contributions. Investment earnings were \$7. The Net Position increased by \$272,164. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.

Expenses and Charges for Services - Business-type Activities



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$944,000, an increase of \$278,088 in comparison with the prior year. Approximately 69.6% or \$656,563 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The Town has one major governmental fund, the General Fund.

The General Fund is the primary operating fund for the Town. At December 31, 2017, unassigned fund balance in the General Fund was \$656,563. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 51.8% of the total General Fund expenditures. The fund balance of the Town's General Fund increased by \$287,032 for the year ended December 31, 2017. Total revenues in the General Fund increased \$36,692 from the prior year, and total expenses decreased by \$67,054 from the prior year.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2017 for the Town's four enterprise funds (Water, Gas, Sewer, and Irrigation) are as follows:

	Water	Gas	Sewer	Irrigation	Total
Unrestricted net position	\$ 51,434	\$ 483,723	\$ 10,570	\$ 36,552	\$ 582,279
Total net position	1,199,512	2,360,458	126,310	46,860	3,733,140
Change in net position	(41,455)	335,526	(25,651)	3,744	272,164

Budgetary Highlights

General fund revenues of \$1,563,858 were less than budgeted revenues of \$1,694,173 by \$130,315. Actual expenditures were \$437,492 less than budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, system improvements, park facilities and roads. At the end of 2017, net capital assets of the government activities totaled \$1.2 million and the net capital assets of the business-type activities were \$3.8 million. The most significant business-type fund capital asset addition was the Gasline Replacement Phase IV project that was started in 2016. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had \$105,967 in governmental type debt, and \$672,535 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$13,306. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for the year 2018, the Town Board of Trustees and management were cautious as to the growth of revenues and expenditures.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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 money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at: 540 Goddard, PO Box 459, Ignacio, Colorado 81137.

BASIC FINANCIAL STATEMENTS

TOWN OF IGNACIO, COLORADO
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 589,321	\$ 503,122	\$ 1,092,443
Receivables (net of allowance)	347,339	172,670	520,009
Prepaid expenses	15,736		15,736
Temporarily restricted assets:			
Cash and cash equivalents	64,324	-	64,324
Capital assets not being depreciated:			
Land	335,986	16,974	352,960
Construction in progress	-	608,749	608,749
Capital assets (net of accumulated depreciation):			
Utility plant	-	2,994,493	2,994,493
Irrigation system	-	129,438	129,438
Buildings	187,691	-	187,691
Machinery and equipment	20,696	65,444	86,140
Vehicles	128,123	-	128,123
Infrastructure and systems	487,901	-	487,901
Total assets	<u>2,177,117</u>	<u>4,490,890</u>	<u>6,668,007</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>158,457</u>	<u>-</u>	<u>158,457</u>
Liabilities			
Accounts payable and other current liabilities	40,949	85,215	126,164
Interest payable	31	-	31
Noncurrent liabilities:			
Due within one year	73,278	49,045	122,323
Due in more than one year	<u>32,689</u>	<u>623,490</u>	<u>656,179</u>
Total liabilities	<u>146,947</u>	<u>757,750</u>	<u>904,697</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	31,771	-	31,771
Deferred inflows related to pensions	<u>1,364</u>	<u>-</u>	<u>1,364</u>
Total deferred inflows of resources	<u>33,135</u>	<u>-</u>	<u>33,135</u>
Net Position			
Net investment in capital assets	1,149,288	3,150,861	4,300,149
Restricted for:			
Emergency reserve	51,070	-	51,070
Public safety	13,542	-	13,542
Parks and recreation	65,946	-	65,946
Public works	49,854	-	49,854
Unrestricted	<u>825,792</u>	<u>582,279</u>	<u>1,408,071</u>
Total net position	<u>\$ 2,155,492</u>	<u>\$ 3,733,140</u>	<u>\$ 5,888,632</u>

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

TOWN OF IGNACIO, COLORADO
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 398,510	\$ 24,664	\$ 25,188	\$ -	\$ (348,658)	\$ -	\$ (348,658)
Public safety	748,449	16,850	246,150	384	(485,065)	-	(485,065)
Public works/streets	274,120	48,931	-	24,838	(200,351)	-	(200,351)
Parks and recreation	9,621	-	7,234	5,428	3,041	-	3,041
Affordable housing	45,761	-	18,072	-	(27,689)	-	(27,689)
Interest on long-term debt	608	-	-	-	(608)	-	(608)
Total governmental activities	<u>1,477,069</u>	<u>90,445</u>	<u>296,644</u>	<u>30,650</u>	<u>(1,059,330)</u>	<u>-</u>	<u>(1,059,330)</u>
Business-type activities:							
Water	278,681	237,261	-	4,965	-	(36,455)	(36,455)
Gas	421,327	455,608	-	306,238	-	340,519	340,519
Sewer	521,612	498,111	-	2,850	-	(20,651)	(20,651)
Irrigation	26,678	31,922	-	-	-	5,244	5,244
Total business-type activities	<u>1,248,298</u>	<u>1,222,902</u>	<u>-</u>	<u>314,053</u>	<u>-</u>	<u>288,657</u>	<u>288,657</u>
Total primary government	<u>\$ 2,725,367</u>	<u>\$ 1,313,347</u>	<u>\$ 296,644</u>	<u>\$ 344,703</u>	<u>(1,059,330)</u>	<u>288,657</u>	<u>(770,673)</u>
General Revenues:							
Taxes:							
Property tax					29,355	-	29,355
Sales tax					1,148,604	-	1,148,604
Other taxes					45,363	-	45,363
Franchise tax					3,643	-	3,643
Unrestricted investment earnings					16	7	23
Transfers					16,500	(16,500)	-
Total general revenues & transfers					<u>1,243,481</u>	<u>(16,493)</u>	<u>1,226,988</u>
Change in net position					184,151	272,164	456,315
Net position - beginning					1,971,341	3,460,976	5,432,317
Net position - ending					<u>\$ 2,155,492</u>	<u>\$ 3,733,140</u>	<u>\$ 5,888,632</u>

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

TOWN OF IGNACIO, COLORADO
Balance Sheet
Governmental Funds
December 31, 2017

Assets	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 406,628	\$ 182,693	\$ 589,321
Accounts receivable	17,387	-	17,387
Property taxes receivable	31,771	-	31,771
Due from other governments	273,497	24,684	298,181
Prepaid expenses	15,736	-	15,736
Restricted cash and investments	64,324	-	64,324
Total assets	<u>\$ 809,343</u>	<u>\$ 207,377</u>	<u>\$ 1,016,720</u>
 Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,299	\$ -	\$ 15,299
Accrued liabilities	25,650	-	25,650
Total liabilities	<u>40,949</u>	<u>-</u>	<u>40,949</u>
Deferred inflows of resources:			
Deferred revenue - property taxes	31,771	-	31,771
	<u>31,771</u>	<u>-</u>	<u>31,771</u>
Fund balances:			
Nonspendable	15,736	-	15,736
Restricted for:			
Emergency reserve	51,070	-	51,070
Public safety	13,254	288	13,542
Parks and recreation	-	65,946	65,946
Streets	-	49,854	49,854
Committed for:			
Capital improvements	-	73,521	73,521
Façade loans	-	17,768	17,768
Unassigned	656,563	-	656,563
Total fund balances	<u>736,623</u>	<u>207,377</u>	<u>944,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 809,343</u>	<u>\$ 207,377</u>	<u>\$ 1,016,720</u>

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

TOWN OF IGNACIO, COLORADO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2017

Total fund balances - governmental funds \$ 944,000

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	2,232,991	
Accumulated depreciation	<u>(1,072,594)</u>	1,160,397

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital leases payable	(11,109)	
Interest payable	(31)	
Net pension liability	(26,812)	
Compensated absences	<u>(68,046)</u>	(105,998)

Deferred outflows and inflows of resources related to pensions and net pension assets are applicable to future reporting periods and therefore are not reported in the funds.

Deferred outflows	158,457	
Deferred inflows	<u>(1,364)</u>	157,093

Total net position - governmental activities	<u><u>\$ 2,155,492</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF IGNACIO, COLORADO
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,182,634	\$ -	\$ 1,182,634
Licenses and permits	15,411	-	15,411
Intergovernmental	300,871	70,457	371,328
Impact fees	-	10,389	10,389
Fines and forfeitures	2,425	-	2,425
Charges for services	43,673	-	43,673
Interest revenue	-	16	16
Other revenues	18,844	-	18,844
Total revenues	<u>1,563,858</u>	<u>80,862</u>	<u>1,644,720</u>
Expenditures			
Current:			
Legislative	11,085	-	11,085
Administration	243,252	-	243,252
Community development	85,501	-	85,501
Public safety	718,064	-	718,064
Public works	196,810	-	196,810
Parks	6,569	-	6,569
Debt service:			
Principal	4,612	-	4,612
Interest and fees	620	-	620
Capital outlay	1,413	115,206	116,619
Total expenditures	<u>1,267,926</u>	<u>115,206</u>	<u>1,383,132</u>
Excess of revenues over (under) expenditures	295,932	(34,344)	261,588
Other financing sources (uses):			
Transfers in	-	25,400	25,400
Transfers out	(8,900)	-	(8,900)
Total other financing sources (uses)	<u>(8,900)</u>	<u>25,400</u>	<u>16,500</u>
Net change in fund balances	287,032	(8,944)	278,088
Fund balance, beginning of year	<u>449,591</u>	<u>216,321</u>	<u>665,912</u>
Fund balance, end of year	<u>\$ 736,623</u>	<u>\$ 207,377</u>	<u>\$ 944,000</u>

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

TOWN OF IGNACIO, 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, 2017

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

Net change in fund balances - total governmental funds	\$	278,088
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay	-	
Depreciation expense	<u>(86,177)</u>	(86,177)
<p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		4,612
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		12
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions	(34,386)	
Pension expense	<u>25,923</u>	(8,463)
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(3,921)</u>
Change in net position of governmental activities	\$	<u>184,151</u>

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

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

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Assets					
Current assets:					
Cash	\$ 41,844	\$ 423,754	\$ 1,447	\$ 36,077	\$ 503,122
Accounts receivable	23,531	60,233	50,211	841	134,816
Intergovernmental receivable	-	37,854	-	-	37,854
Total current assets	<u>65,375</u>	<u>521,841</u>	<u>51,658</u>	<u>36,918</u>	<u>675,792</u>
Capital assets:					
Land	16,974	-	-	-	16,974
Construction in progress	-	608,749	-	-	608,749
Utility plant	1,824,707	1,848,728	518,132	-	4,191,567
Irrigation system	-	-	-	209,057	209,057
Equipment	66,251	133,547	17,500	-	217,298
Accumulated depreciation	(517,984)	(703,180)	(127,764)	(79,619)	(1,428,547)
Total capital assets	<u>1,389,948</u>	<u>1,887,844</u>	<u>407,868</u>	<u>129,438</u>	<u>3,815,098</u>
Total assets	<u><u>\$ 1,455,323</u></u>	<u><u>\$ 2,409,685</u></u>	<u><u>\$ 459,526</u></u>	<u><u>\$ 166,356</u></u>	<u><u>\$ 4,490,890</u></u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 7,353	\$ 25,404	\$ 35,549	\$ -	\$ 68,306
Accrued liabilities	4,509	8,567	3,833	-	16,909
Bonds payable - current	18,090	-	8,515	8,910	35,515
Capital leases payable - current	-	5,232	-	-	5,232
Compensated absences - current	2,079	4,147	1,706	366	8,298
Total current liabilities	<u>32,031</u>	<u>43,350</u>	<u>49,603</u>	<u>9,276</u>	<u>134,260</u>
Long-term liabilities:					
Bonds payable, net of current portion	223,780	-	283,613	110,220	617,613
Capital lease payable, net of current portion	-	5,877	-	-	5,877
Total long-term liabilities	<u>223,780</u>	<u>5,877</u>	<u>283,613</u>	<u>110,220</u>	<u>623,490</u>
Total liabilities	<u>255,811</u>	<u>49,227</u>	<u>333,216</u>	<u>119,496</u>	<u>757,750</u>
Net position					
Net investment in capital assets	1,148,078	1,876,735	115,740	10,308	3,150,861
Unrestricted	51,434	483,723	10,570	36,552	582,279
Total net position	<u><u>\$ 1,199,512</u></u>	<u><u>\$ 2,360,458</u></u>	<u><u>\$ 126,310</u></u>	<u><u>\$ 46,860</u></u>	<u><u>\$ 3,733,140</u></u>

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

TOWN OF IGNACIO, COLORADO
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Operating revenues					
Charges for services	\$ 237,261	\$ 455,608	\$ 498,111	\$ 31,922	\$ 1,222,902
Total operating revenues	<u>237,261</u>	<u>455,608</u>	<u>498,111</u>	<u>31,922</u>	<u>1,222,902</u>
Operating expenses					
Commodity purchases	124,836	167,740	-	-	292,576
Personnel services	88,950	170,962	71,124	13,894	344,930
Contracted services	3,770	9,194	417,426	260	430,650
Supplies	4,298	4,798	374	2,882	12,352
Repairs and maintenance	1,702	2,254	851	340	5,147
Administrative	4,090	9,487	1,136	254	14,967
Depreciation	38,389	53,658	15,971	3,584	111,602
Utilities	2,613	2,613	1,307	523	7,056
Total operating expenses	<u>268,648</u>	<u>420,706</u>	<u>508,189</u>	<u>21,737</u>	<u>1,219,280</u>
Operating income / (loss)	<u>(31,387)</u>	<u>34,902</u>	<u>(10,078)</u>	<u>10,185</u>	<u>3,622</u>
Non-operating revenues (expenses)					
Interest revenue	-	7	-	-	7
Capital grant	-	301,045	-	-	301,045
Impact fees	4,965	5,193	2,850	-	13,008
Interest expense	(10,033)	(621)	(13,423)	(4,941)	(29,018)
Total non-operating revenues (expenses)	<u>(5,068)</u>	<u>305,624</u>	<u>(10,573)</u>	<u>(4,941)</u>	<u>285,042</u>
Income (loss) before transfers	<u>(36,455)</u>	<u>340,526</u>	<u>(20,651)</u>	<u>5,244</u>	<u>288,664</u>
Transfers:					
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(1,500)</u>	<u>(16,500)</u>
Change in net position	<u>(41,455)</u>	<u>335,526</u>	<u>(25,651)</u>	<u>3,744</u>	<u>272,164</u>
Total net position, beginning of year	<u>1,240,967</u>	<u>2,024,932</u>	<u>151,961</u>	<u>43,116</u>	<u>3,460,976</u>
Total net position, end of year	<u><u>\$ 1,199,512</u></u>	<u><u>\$ 2,360,458</u></u>	<u><u>\$ 126,310</u></u>	<u><u>\$ 46,860</u></u>	<u><u>\$ 3,733,140</u></u>

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

TOWN OF IGNACIO, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 239,056	\$ 495,615	\$ 499,550	\$ 32,596	\$ 1,266,817
Cash paid to suppliers	(141,471)	(220,721)	(420,519)	(4,259)	(786,970)
Cash paid to employees	(87,215)	(167,513)	(69,247)	(13,919)	(337,894)
Net cash flows from operating activities	<u>10,370</u>	<u>107,381</u>	<u>9,784</u>	<u>14,418</u>	<u>141,953</u>
Cash flows from noncapital financing activities:					
Transfers from/(to) other funds	(5,000)	(5,000)	(5,000)	(1,500)	(16,500)
Net cash flows from noncapital financing activities	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(1,500)</u>	<u>(16,500)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(528,661)	-	-	(528,661)
Capital grants	-	263,191	-	-	263,191
Principal paid on long-term debt	(16,750)	(4,612)	(8,200)	(8,250)	(37,812)
Interest paid	(10,033)	(621)	(13,423)	(4,941)	(29,018)
Connection and tap fees	4,965	5,193	2,850	-	13,008
Net cash flows from capital and related financing activities	<u>(21,818)</u>	<u>(265,510)</u>	<u>(18,773)</u>	<u>(13,191)</u>	<u>(319,292)</u>
Cash flows from investing activities:					
Interest on investments	-	7	-	-	7
Net change in cash and cash equivalents	(16,448)	(163,122)	(13,989)	(273)	(193,832)
Cash and cash equivalents, beginning of year	58,292	586,876	15,436	36,350	696,954
Cash and cash equivalents, end of year	<u>\$ 41,844</u>	<u>\$ 423,754</u>	<u>\$ 1,447</u>	<u>\$ 36,077</u>	<u>\$ 503,122</u>
Reconciliation of operating income to net cash provided by operating activities:					
Net operating income (loss)	\$ (31,387)	\$ 34,902	\$ (10,078)	\$ 10,185	\$ 3,622
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	38,389	53,658	15,971	3,584	111,602
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	1,795	40,007	1,439	674	43,915
Increase/(decrease) in payables	(162)	(24,635)	575	-	(24,222)
Increase/(decrease) in accrued liabilities	1,735	3,449	1,877	(25)	7,036
Net cash flows from operating activities	<u>\$ 10,370</u>	<u>\$ 107,381</u>	<u>\$ 9,784</u>	<u>\$ 14,418</u>	<u>\$ 141,953</u>

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The Town of Ignacio is a statutory municipality with a mayor – Board form of government with six elected Board members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Town has no component units.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The **General Fund** is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the Town related to supplying water services to the citizens of the Town.

The **Irrigation Fund** accounts for the activities of the Town related to supplying irrigation services to the citizens of the Town.

The **Gas Fund** accounts for the activities of the Town related to supplying natural gas services to the citizens of the Town.

The **Sewer Fund** accounts for the activities of the Town related to supplying sewer services to the citizens of the Town.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and economic development funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Receivables

All trade accounts receivable are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental and business-type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Capital assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Utility plant and distribution system	7 to 50 years
Machinery, equipment and vehicles	7 to 20 years
Infrastructure	20 to 40 years

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. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statement. See Note 9 for more information.

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. The government has two types of items that qualify for reporting in this category. The first type is deferred revenue – property taxes. This is reported in the governmental funds balance sheet and the government-wide financial statement. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type is pension related items reported on the government-wide financial statement. See Note 9 for more information.

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 pension plan’s fiduciary net position of the Fire and Police Pension Association of Colorado (FPPA) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by FPPA. 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.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

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

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the 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 committed. The governing board (board) has by resolution authorized the town manager to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as deferred revenue in the governmental funds. Property taxes for the current year are levied by the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, gas, sewer and irrigation funds are charges to customers for sales and services. The water, gas, sewer, and irrigation fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Board adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with State statutes, prior to October 15, the Town Treasurer submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the Fund level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Town Treasurer is required to present a monthly report to the Town Board explaining any variance from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all funds of the Town.
- Appropriations lapse at the end of each calendar year.
- The Town Board may authorize supplemental appropriations during the year.

Budget amounts included in the financial statements report both the original and final amended budget. There were revisions made to the original budget during the year.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Town Board. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations.

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.”

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment. The Town is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment’s language in order to determine its compliance.

Note 4. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	\$ 100
Cash in bank	<u>1,156,667</u>
Total cash and investments	<u><u>\$ 1,156,767</u></u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk; however, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2017 cash on hand was \$100 and the carrying amount of the Town's deposits was \$1,156,667. As of December 31, 2017 the bank balance of the Town's deposits was \$1,185,164 of which \$428,103 was insured by federal depository insurance and \$757,061 was collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The Town's investment policy follows Colorado statutes.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 5. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 335,986	\$ -	\$ -	\$ 335,986
Total capital assets, not being depreciated	<u>335,986</u>	<u>-</u>	<u>-</u>	<u>335,986</u>
Capital assets, being depreciated:				
Buildings & improvements	555,587	-	-	555,587
Machinery and equipment	123,201	-	-	123,201
Vehicles	572,049	-	-	572,049
Infrastructure	646,168	-	-	646,168
Total capital assets, being depreciated	<u>1,897,005</u>	<u>-</u>	<u>-</u>	<u>1,897,005</u>
Less accumulated depreciation for:				
Buildings & improvements	(353,262)	(14,634)	-	(367,896)
Machinery and equipment	(97,425)	(5,080)	-	(102,505)
Vehicles	(405,945)	(37,981)	-	(443,926)
Infrastructure	(129,785)	(28,482)	-	(158,267)
Total accumulated depreciation	<u>(986,417)</u>	<u>(86,177)</u>	<u>-</u>	<u>(1,072,594)</u>
Total capital assets, being depreciated, net	<u>910,588</u>	<u>(86,177)</u>	<u>-</u>	<u>824,411</u>
Governmental activities capital assets, net	<u>\$ 1,246,574</u>	<u>\$ (86,177)</u>	<u>\$ -</u>	<u>\$ 1,160,397</u>

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

Governmental Activities:	
General government	\$ 8,186
Public safety	18,341
Public works/streets	38,929
Parks & recreation	3,037
Affordable housing	17,684
Total depreciation expense - governmental activities	<u>\$ 86,177</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 5. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Land	\$ 16,974	\$ -	\$ -	\$ 16,974
Construction in progress	80,088	528,661	-	608,749
Total capital assets, not being depreciated	<u>97,062</u>	<u>528,661</u>	<u>-</u>	<u>625,723</u>
Capital assets being depreciated:				
Utility plant	4,191,567	-	-	4,191,567
Irrigation system	209,057	-	-	209,057
Machinery and equipment	217,298	-	-	217,298
Total capital assets, being depreciated	<u>4,617,922</u>	<u>-</u>	<u>-</u>	<u>4,617,922</u>
Less accumulated depreciation for:				
Utility plant	(1,103,503)	(93,571)	-	(1,197,074)
Irrigation system	(76,035)	(3,584)	-	(79,619)
Machinery and equipment	(137,407)	(14,447)	-	(151,854)
Total accumulated depreciation	<u>(1,316,945)</u>	<u>(111,602)</u>	<u>-</u>	<u>(1,428,547)</u>
Total capital assets, being depreciated, net	<u>3,300,977</u>	<u>(111,602)</u>	<u>-</u>	<u>3,189,375</u>
Business-type activities capital assets, net	<u>\$ 3,398,039</u>	<u>\$ 417,059</u>	<u>\$ -</u>	<u>\$ 3,815,098</u>

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

Business-Type Activities:	
Sewer	\$ 15,971
Irrigation	3,584
Water	38,389
Gas	53,658
Total depreciation expense - business-type activities	<u>\$ 111,602</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Capital Lease - Chevy Truck	\$ 15,721	\$ -	\$ (4,612)	\$ 11,109	\$ 5,232
Compensated absences	64,125	52,942	(49,021)	68,046	68,046
Net Pension Liability (Asset)	(1,500)	28,312	-	26,812	
Total Governmental activity					
Long-term liabilities	<u>\$ 78,346</u>	<u>\$ 81,254</u>	<u>\$ (53,633)</u>	<u>\$ 105,967</u>	<u>\$ 73,278</u>
Business-Type Activities:					
Sewer Revenue Bonds	\$ 300,328	\$ -	\$ (8,200)	\$ 292,128	\$ 8,515
Water Loan Refunding	258,620	-	(16,750)	241,870	18,090
Irrigation Loan Refunding	127,380	-	(8,250)	119,130	8,910
Capital Lease - Chevy Truck	15,721	-	(4,612)	11,109	5,232
Compensated absences	9,913	9,967	(11,582)	8,298	8,298
Total Business-type activity					
Long-term liabilities	<u>\$ 711,962</u>	<u>\$ 9,967</u>	<u>\$ (49,394)</u>	<u>\$ 672,535</u>	<u>\$ 49,045</u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 6. Long-Term Debt, Continued

Long-term liabilities for the primary government at December 31, 2017 are comprised of the following:

Business-Type Activities:

Bonds payable:

USDA Sewer Revenue Bond assumed when the Town absorbed the local Sanitation District in 2010, bearing interest at 4.5%, due in semi-annual installments of \$10,789, maturing December 2038.	\$ 292,128
Water Refunding Bonds Series 2013, issued December 2013, bearing interest at 4%, due in monthly installments of principal and interest installments ranging from \$972 to \$2,888, maturing December 2028.	241,870
Irrigation Refunding Bonds Series 2013, issued December 2013, bearing interest at 4%, due in monthly installments of principal and interest installments ranging from \$479 to \$1,422, maturing December 2028.	119,130
	653,128
Total bonds payable	\$ 653,128

Debt service requirements to maturity on bonds and loans are as follows:

Years ending December 31:	Business-Type Activities	
	Principal	Interest
2018	\$ 35,515	\$ 26,973
2019	36,902	25,506
2020	38,308	24,018
2021	39,731	22,400
2022	41,174	20,707
2023-2027	234,250	76,025
2028-2032	112,766	36,008
2033-2037	90,900	16,991
2038	23,582	843
	\$ 653,128	\$ 249,471

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 7. Capital Leases Payable

The Town has entered into lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board ASC 840-30-25. The leases are shown in the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with interest rates of 4.5 percent under the capital leases, together with the present value of the net minimum lease payments:

<u>December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 5,232	\$ 5,232
2019	5,232	5,232
2020	<u>1,242</u>	<u>1,242</u>
Total remaining lease payments	\$ 11,706	\$ 11,706
Less: Amount representing interest	<u>(597)</u>	<u>(597)</u>
Present value of net remaining minimum lease payments	<u>\$ 11,109</u>	<u>\$ 11,109</u>

A summary of assets acquired through capital leases follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Vehicles	\$ 20,820	\$ 20,820
Accumulated depreciation	<u>(5,725)</u>	<u>(11,451)</u>
Net total	<u>\$ 15,095</u>	<u>\$ 9,369</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 8. Interfund Transfers

Interfund transfers for the year ended December 31, 2017 were as follows:

	Transfers In:	
Transfers Out:	Nonmajor Funds	Total
General Fund	\$ 8,900	\$ 8,900
Sewer Fund	5,000	5,000
Water Fund	5,000	5,000
Gas Fund	5,000	5,000
Irrigation Fund	1,500	1,500
	\$ 25,400	\$ 25,400

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9. Retirement and Pension Plans

General Employees Retirement

Town employees, except public safety, are covered under a 401(a) defined contribution plan through the Ignacio Retirement Plan maintained and administered by the International Town Manager's Association Retirement Corporation, through the Colorado County Officials and Employees Retirement Association. Employees covered by this plan are eligible to participate from the date of employment. Under the terms of the defined contribution plan, participants are required to contribute at minimum 5% of their base salary while another 5% contribution on the employee's base salary is made by the Town. Vesting begins immediately upon participation with 100% vesting occurring after one year of credited service. Defined contribution plans are not required to have actuarial valuations performed. The portion of the Town's contributions for, and interest forfeited by employees who leave employment before one year of service is used to reduce the Town's current period contribution requirement. The payroll for the Town as of December 31, 2017 was \$908,701, and payroll for employees covered by this plan was \$406,436. The contributions made by the Town and employees were \$18,389 and \$20,114, respectively. The plan provisions and the required contribution rates of the Town and the employees are established and amended by the Town Board of Trustees.

Police Pension – Defined Benefit Pension Plan

The Town participates in the Fire and Police retirement plan which is administered by the Colorado Fire and Police Pension Association (FPPA). The Town reported in the Statement of Activities the following aggregate amounts related to pensions for all plans to which it contributes:

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 9. Retirement and Pension Plans, Continued

	Governmental Activities
Net pension liability	\$ (26,812)
Deferred outflows of resources	158,457
Deferred inflows of resources	(1,364)

Fire & Police Pension Association

Plan description – The Town participates in the Statewide Defined Benefit Plan (SWDB) which is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on the FPPA’s website at www.fppaco.org.

Benefits provided – A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member’s highest three years’ base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated social security employers will be reduced by that amount of social security income payable to the member annually. Effective January 1, 2007, members currently covered under social security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board’s discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

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

Contributions – The Plan sets contributions rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 9. Retirement and Pension Plans, Continued

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ending December 30,	Retirement Fund
2015	\$ 32,990
2016	30,379
2017	34,386

Pension liability – At December 31, 2017, the Town reported a liability of \$26,812 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2017. The Town's proportion of the net pension asset was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2016. The Town's proportion measured as of December 31, 2016, was 0.074199 percent for police, which was a decrease of 0.010867 percent from the proportions measured as of December 31, 2015.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2017, the Town recognized pension expense for SWDB of \$42,847. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,939	\$ 1,364
Changes in assumptions	18,314	-
Net difference between projected and actual earnings on pension plan investments	72,368	-
Changes in proportion and differences between contributions and proportional share of contributions	9,449	-
Contributions subsequent to the measurement date	34,386	-
Total	\$ 158,457	\$ 1,364

The \$34,386 reported as deferred outflows of resources related to SWDB pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB pensions will be recognized in pension expense as follows:

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 9. Retirement and Pension Plans, Continued

Year Ending December 31	Deferred Outflows (Inflows) of Resources Police
2018	\$ 28,594
2019	28,594
2020	26,943
2021	11,538
2022	5,825
Thereafter	21,213

Actuarial Assumptions – The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2016. The valuations used the following actuarial assumption and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

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

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 9. Retirement and Pension Plans, Continued

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	36%	9.25%
Equity Long/Short	10%	7.35%
Illiquid Alternatives	23%	10.75%
Fixed Income	15%	4.10%
Absolute Return	10%	6.55%
Managed Futures	4%	5.50%
Cash	2%	0.00%*
Total	100%	

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

Discount Rate – The discount rate used to measure the SWDB total pension liability was 7.5 percent, which is less than the long-term expected rate of return. 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 SWDB Board's funding policy, which establishes the contractually required rate under Colorado statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Police			
Net pension (asset) / liability	\$ 228,118	\$ 26,812	\$ (140,385)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 9. Retirement and Pension Plans, Continued

Statewide Death and Disability Plan

Plan description – The plan is a multi-employer cost sharing defined benefit plan covering full-time employees of substantially all fire and police departments in Colorado. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan was established in 1980 pursuant to Colorado Revised Statutes.

Contributions – Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado Statute. In addition, there were 11 contributing employers as of December 31, 2001 who have elected supplementary coverage by the statewide plan.

The state made a one-time contribution in 1997 of \$39 million to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997 contribute a percentage of the payroll based on actuarial experience. The percent contributed in fiscal year 2017 was 2.7%. In 2017, the Town contributed \$11,606 for Accidental Death and Disability.

Note 10. 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. Claims have not exceeded coverage in any of the last three fiscal years.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1155, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage's 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 is insured by CIRSA/WC (Workers Compensation), a separate insurance pool, for potential worker related accidents.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage's at reasonable costs. All income and assets of CIRSA shall at all times be dedicated to the exclusive benefit of its members.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2017

Note 10. Risk Management, Continued

The Town recognizes an expense for coverage for the amount paid to CIRSA annually for these coverage's. 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.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA. The Board of Directors of the Agency is composed of seven directors elected by the members at the annual meeting to be scheduled in December each year.

Note 11. Long-Term Contracts

Water Agreement

In December 1998, the Town amended their water supply agreement with the Southern Ute Indian Tribe (Tribe) for processing and purchasing water. The Tribe owns and maintains a water treatment plant and a distribution system that is connected to the Town's water distribution system. The Town is required to make monthly payments to the Tribe according to the water delivered to the Town at the Town Master Meters during the prior month. Water rate adjustments are set by the Tribal Council. In addition, the Town collects Tribal Water System Plant Investment Fees to be remitted to the Tribe. This agreement continues unless modified or terminated by either party in writing at least three years in advance of the proposed termination date.

Natural Gas Agreement

On December 19, 2008, the Town amended their natural gas agreement with the Southern Ute Indian Tribe (Tribe) for transporting natural gas to the Custody Transfer Point wherein the Town has sole responsibility for transporting the gas from the Custody Transfer Point to its customers or other destinations. The price to be paid to the Tribe by the Town for each month of delivered gas is the Inside Ferc's Gas Market Report Price of Spot Gas Delivered to Pipelines, El Paso Natural Gas, San Juan Basin, reported for each applicable month (the SJB Price), plus an amount equal to 20% of the SJB Price, per mcf of gas delivered to the Custody Transfer Point. The agreement will continue for 10 years unless modified or terminated by mutual agreement. Automatic renewals for five years occur after the initial 10 years are ended. Termination of the agreement requires a 1 year prior written notice. In 2018, the Town renewed their agreement with the Tribe.

Wastewater Treatment and Collection Services Agreement

On November 18, 2009, the Town amended their wastewater treatment service agreement with the Southern Ute Indian Tribe (Tribe) wherein the Tribe has sole responsibility for wastewater treatment service to the Town and the Town Service Area through the Tribal Wastewater System. The Town agreed to pay the Tribe a monthly user fee per ERT for each customer of the Town. In addition, Plant Investment Fees and Readiness to Serve fees are required according to the agreement. The term of the agreement is for 10 years unless termination by either party in accordance with other terms of the agreement or by delivery of at least three years advance written notice.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

TOWN OF IGNACIO, COLORADO
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
December 31, 2017

	Police Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.074199%	0.085066%	0.086843%
Proportionate share of the net pension liability (asset)	\$ 26,812	\$ (1,500)	\$ (98,009)
Covered employee payroll	\$ 429,818	\$ 379,740	\$ 412,378
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.24%	-0.40%	-23.77%
Plan fiduciary net position as a percentage of the total pension liability	98.21%	100.10%	106.80%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

TOWN OF IGNACIO, COLORADO
Required Supplementary Information
Schedule of Contributions
December 31, 2017

	Police Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 30,379	\$ 32,990	\$ 31,243
Contributions in relation to the contractually required contribution	\$ (30,379)	\$ (32,990)	\$ (31,243)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 429,818	\$ 379,740	\$ 412,378
Contributions as a percentage of covered-employee payroll	7.07%	8.69%	7.58%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Property tax	\$ 30,115	\$ 30,115	\$ 29,355	\$ (760)
Specific ownership taxes	1,500	1,500	2,997	1,497
Town sales tax	295,000	295,000	341,582	46,582
County sales tax	720,000	720,000	804,707	84,707
Franchise tax	3,000	3,000	3,643	643
Payment in lieu	700	700	350	(350)
Total taxes	<u>1,050,315</u>	<u>1,050,315</u>	<u>1,182,634</u>	<u>132,319</u>
Licenses, permits and fees:				
Liquor licenses	1,700	1,700	2,120	420
Permits	4,260	4,260	6,741	2,481
Business licenses	2,500	2,500	2,695	195
Animal licenses	500	500	705	205
Other licenses	1,500	1,500	3,150	1,650
Total licenses, permits and fees	<u>10,460</u>	<u>10,460</u>	<u>15,411</u>	<u>4,951</u>
Intergovernmental:				
Cigarette taxes	1,800	1,800	2,315	515
Motor vehicle registrations	2,000	2,000	3,690	1,690
Mineral lease	20,000	20,000	5,337	(14,663)
Highway user tax	25,182	25,182	24,383	(799)
Severance tax	10,000	10,000	5,820	(4,180)
County road and bridge	2,000	2,000	2,787	787
Other intergovernmental	256,203	256,203	256,539	336
Total intergovernmental	<u>317,185</u>	<u>317,185</u>	<u>300,871</u>	<u>(16,314)</u>
Fines and forfeitures:				
Court fines	1,000	1,000	2,425	1,425
Total fines and forfeitures	<u>1,000</u>	<u>1,000</u>	<u>2,425</u>	<u>1,425</u>
Charges for services:				
Trash	35,000	35,000	38,373	3,373
Snow removal	7,500	7,500	4,318	(3,182)
Planning zoning fees	75	75	-	(75)
Other fees	1,575	1,575	982	(593)
Total charges for services	<u>44,150</u>	<u>44,150</u>	<u>43,673</u>	<u>(477)</u>
Other revenues:				
Other revenues	271,063	271,063	18,844	(252,219)
Total other revenues	<u>271,063</u>	<u>271,063</u>	<u>18,844</u>	<u>(252,219)</u>
Total revenues	<u>1,694,173</u>	<u>1,694,173</u>	<u>1,563,858</u>	<u>(130,315)</u>

(continued)

TOWN OF IGNACIO, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2017

Expenditures	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Legislative				
Personnel services	11,522	11,522	9,285	2,237
Supplies	350	350	-	350
Purchased services	3,000	3,000	1,800	1,200
Total legislative	<u>14,872</u>	<u>14,872</u>	<u>11,085</u>	<u>3,787</u>
Administration:				
Personnel services	324,037	324,037	79,308	244,729
Supplies	15,000	15,000	6,482	8,518
Purchased services	49,515	49,515	97,009	(47,494)
Repairs and maintenance	27,000	27,000	8,976	18,024
Grants and contributions	7,332	7,332	7,332	-
Utilities	35,050	35,050	11,515	23,535
Other	64,905	64,905	32,630	32,275
Total administration	<u>522,839</u>	<u>522,839</u>	<u>243,252</u>	<u>279,587</u>
Community Development:				
Personnel services	82,163	82,163	82,161	2
Purchased services	9,400	9,400	850	8,550
Supplies	2,200	2,200	807	1,393
Other	3,230	3,230	1,683	1,547
Total community development	<u>96,993</u>	<u>96,993</u>	<u>85,501</u>	<u>11,492</u>
Public Safety:				
Personnel services	603,709	603,709	629,784	(26,075)
Supplies	11,500	11,500	26,818	(15,318)
Purchased services	-	-	3,515	(3,515)
Repairs and maintenance	7,000	7,000	7,719	(719)
Grants and contributions	11,452	11,452	11,358	94
Utilities	-	-	9,334	(9,334)
Other	29,685	29,685	29,536	149
Total public safety	<u>663,346</u>	<u>663,346</u>	<u>718,064</u>	<u>(54,718)</u>
Public Works:				
Personnel services	226,556	226,556	57,880	168,676
Supplies	6,700	6,700	3,854	2,846
Purchased services	34,000	34,000	33,500	500
Repairs and maintenance	78,324	78,324	71,226	7,098
Utilities	-	-	4,979	(4,979)
Other	15,800	15,800	25,371	(9,571)
Total public works	<u>361,380</u>	<u>361,380</u>	<u>196,810</u>	<u>164,570</u>

(continued)

TOWN OF IGNACIO, COLORADO
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, (Continued)
For the Year Ended December 31, 2017

Expenditures	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Parks:				
Personnel services	16,950	16,950	3,719	13,231
Supplies	4,000	4,000	2,556	1,444
Other	17,306	17,306	294	17,012
Total parks	<u>38,256</u>	<u>38,256</u>	<u>6,569</u>	<u>31,687</u>
Debt Service:				
Principal	4,612	4,612	4,612	-
Interest	620	620	620	-
Total debt service	<u>5,232</u>	<u>5,232</u>	<u>5,232</u>	<u>-</u>
Capital outlay:				
Capital outlay	2,500	2,500	1,413	1,087
Total capital outlay	<u>2,500</u>	<u>2,500</u>	<u>1,413</u>	<u>1,087</u>
Total expenditures	<u>1,705,418</u>	<u>1,705,418</u>	<u>1,267,926</u>	<u>437,492</u>
Excess of revenues over (under) expenditures	<u>(11,245)</u>	<u>(11,245)</u>	<u>295,932</u>	<u>307,177</u>
Other financing sources (uses):				
Transfers in	59,630	59,630	-	(59,630)
Transfer out	-	-	(8,900)	(8,900)
Total other financing sources (uses)	<u>59,630</u>	<u>59,630</u>	<u>(8,900)</u>	<u>(68,530)</u>
Net change in fund balance	48,385	48,385	287,032	238,647
Fund balance, beginning of year	<u>449,591</u>	<u>449,591</u>	<u>449,591</u>	<u>-</u>
Fund balance, end of year	<u>\$ 497,976</u>	<u>\$ 497,976</u>	<u>\$ 736,623</u>	<u>\$ 238,647</u>

TOWN OF IGNACIO, COLORADO
SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

The **Economic Development Fund** is used to account for revenues and expenditures to develop affordable housing for the Town.

The **Conservation Trust Fund** accounts for the State of Colorado lottery funds to be used for parks and recreation services and capital investment.

Nonmajor Capital Project Funds

The **Capital Improvement Fund** accounts for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The **Impact Fees Fund** accounts for impact fees charged on development to offset increased costs to the Town.

TOWN OF IGNACIO, COLORADO
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue		Capital Projects		Total
	Economic Development	Conservation Trust	Capital Improvement	Impact Fees	
Assets					
Cash	\$ 17,768	\$ 46,069	\$ 48,837	\$ 70,019	\$ 182,693
Due from other governments	-	-	24,684	-	24,684
Total assets	<u>\$ 17,768</u>	<u>\$ 46,069</u>	<u>\$ 73,521</u>	<u>\$ 70,019</u>	<u>\$ 207,377</u>
Liabilities and Fund Balance					
Liabilities:					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted for:					
Parks and recreation	-	46,069	-	19,877	65,946
Streets	-	-	-	49,854	49,854
Public safety	-	-	-	288	288
Committed for:					
Façade loans	17,768	-	-	-	17,768
Capital improvements	<u>-</u>	<u>-</u>	<u>73,521</u>	<u>-</u>	<u>73,521</u>
Total fund balance	<u>17,768</u>	<u>46,069</u>	<u>73,521</u>	<u>70,019</u>	<u>207,377</u>
Total liabilities and fund balance	<u>\$ 17,768</u>	<u>\$ 46,069</u>	<u>\$ 73,521</u>	<u>\$ 70,019</u>	<u>\$ 207,377</u>

TOWN OF IGNACIO, COLORADO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue		Capital Projects		Total
	Economic Development	Conservation Trust	Capital Improvement	Impact Fees Fund	
Revenues					
Intergovernmental	\$ 19,526	\$ 7,234	\$ 43,697	\$ -	\$ 70,457
Impact fees	-	-	-	10,389	10,389
Interest revenue	16	-	-	-	16
Total revenues	<u>19,542</u>	<u>7,234</u>	<u>43,697</u>	<u>10,389</u>	<u>80,862</u>
Expenditures					
Capital Outlay	27,800	-	87,406	-	115,206
Total expenditures	<u>27,800</u>	<u>-</u>	<u>87,406</u>	<u>-</u>	<u>115,206</u>
Excess of revenues over (under) expenditures	<u>(8,258)</u>	<u>7,234</u>	<u>(43,709)</u>	<u>10,389</u>	<u>(34,344)</u>
Other financing sources (uses):					
Transfers in	8,900	-	16,500	-	25,400
Total other financing sources (uses)	<u>8,900</u>	<u>-</u>	<u>16,500</u>	<u>-</u>	<u>25,400</u>
Net change in fund balances	642	7,234	(27,209)	10,389	(8,944)
Fund balance, beginning of year	<u>17,126</u>	<u>38,835</u>	<u>100,730</u>	<u>59,630</u>	<u>216,321</u>
Fund balance, end of year	<u>\$ 17,768</u>	<u>\$ 46,069</u>	<u>\$ 73,521</u>	<u>\$ 70,019</u>	<u>\$ 207,377</u>

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TOWN OF IGNACIO, COLORADO
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING FUNDS:

Nonmajor Special Revenue Funds

The **Economic Development Fund** is used to account for revenues and expenditures to develop affordable housing for the Town.

The **Conservation Trust Fund** accounts for the State of Colorado lottery funds to be used for parks and recreation services and capital investment.

Nonmajor Capital Project Funds

The **Capital Improvement Fund** accounts for acquisition or construction of major capital facilities (other than those belonging to enterprise funds).

The **Impact Fees Fund** accounts for impact fees charged on development to offset increased costs to the Town.

Major and Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

The **Water Fund** accounts for the activities of the Town related to supplying water services to the citizens of the Town.

The **Gas Fund** accounts for the activities of the Town related to supplying natural gas services to the citizens of the Town.

The **Sewer Fund** accounts for the activities of the Town related to supplying sewer services to the citizens of the Town.

The **Irrigation Fund** accounts for user charges and contract payments for providing irrigation water handling services to the citizens of the Town.

TOWN OF IGNACIO, COLORADO
Economic Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 31,250	\$ 31,250	\$ 19,526	\$ (11,724)
Interest	-	-	16	16
Total revenues	<u>31,250</u>	<u>31,250</u>	<u>19,542</u>	<u>(11,708)</u>
Expenditures				
Capital outlay	<u>55,000</u>	<u>55,000</u>	<u>27,800</u>	<u>27,200</u>
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>27,800</u>	<u>27,200</u>
Excess of revenues over (under) expenditures	<u>(23,750)</u>	<u>(23,750)</u>	<u>(8,258)</u>	<u>15,492</u>
Other financing sources (uses):				
Transfers in	<u>6,604</u>	<u>6,604</u>	<u>8,900</u>	<u>2,296</u>
Total other financing sources (uses):	<u>6,604</u>	<u>6,604</u>	<u>8,900</u>	<u>2,296</u>
Net change in fund balance	(17,146)	(17,146)	642	17,788
Fund balance, beginning of year	<u>17,126</u>	<u>17,126</u>	<u>17,126</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (20)</u></u>	<u><u>\$ (20)</u></u>	<u><u>\$ 17,768</u></u>	<u><u>\$ 17,788</u></u>

TOWN OF IGNACIO, COLORADO
Conservation Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 6,000	\$ 6,000	\$ 7,234	\$ 1,234
Total revenue	<u>6,000</u>	<u>6,000</u>	<u>7,234</u>	<u>1,234</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	6,000	6,000	7,234	1,234
Fund balance, beginning of year	<u>38,835</u>	<u>38,835</u>	<u>38,835</u>	<u>-</u>
Fund balance, end of year	<u>\$ 44,835</u>	<u>\$ 44,835</u>	<u>\$ 46,069</u>	<u>\$ 1,234</u>

TOWN OF IGNACIO, COLORADO
Capital Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 25,000	\$ 25,000	\$ 43,697	\$ 18,697
Total revenue	25,000	25,000	43,697	18,697
Expenditures				
Capital outlay	50,000	50,000	87,406	(37,406)
Total expenditures	50,000	50,000	87,406	(37,406)
Excess of revenues over (under) expenditures	(25,000)	(25,000)	(43,709)	(18,709)
Other financing sources (uses):				
Transfers in	16,500	16,500	16,500	-
Total other financing sources (uses):	16,500	16,500	16,500	-
Net change in fund balance	(8,500)	(8,500)	(27,209)	(18,709)
Fund balance, beginning of year	100,730	100,730	100,730	-
Fund balance, end of year	\$ 92,230	\$ 92,230	\$ 73,521	\$ (18,709)

TOWN OF IGNACIO, COLORADO
Impact Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Impact fees	\$ -	\$ -	\$ 10,389	\$ 10,389
Total revenue	-	-	10,389	10,389
Expenditures				
Capital outlay	59,630	59,630	-	59,630
Total expenditures	59,630	59,630	-	59,630
Excess of revenues over (under) expenditures	(59,630)	(59,630)	10,389	70,019
Net change in fund balance	(59,630)	(59,630)	10,389	70,019
Fund balance, beginning of year	59,630	59,630	59,630	-
Fund balance, end of year	\$ -	\$ -	\$ 70,019	\$ 70,019

TOWN OF IGNACIO, COLORADO
Water Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 241,500	\$ 241,500	\$ 237,261	\$ (4,239)
Impact fees	-	-	4,965	4,965
Total revenues	<u>241,500</u>	<u>241,500</u>	<u>242,226</u>	<u>726</u>
Expenses				
Commodity purchases	127,800	127,800	124,836	2,964
Personnel services	65,930	65,930	88,950	(23,020)
Contracted services	3,858	3,858	3,770	88
Supplies	6,239	6,239	4,298	1,941
Repairs and maintenance	1,779	1,779	1,702	77
Administrative	3,835	3,835	4,090	(255)
Utilities	2,731	2,731	2,613	118
Debt service	26,783	26,783	10,033	16,750
Transfers out	5,000	5,000	5,000	-
Total expenses	<u>243,955</u>	<u>243,955</u>	<u>245,292</u>	<u>(1,337)</u>
Change in net position - budget basis	<u>\$ (2,455)</u>	<u>\$ (2,455)</u>	(3,066)	<u>\$ (611)</u>
GAAP Basis Adjustments				
Depreciation			<u>(38,389)</u>	
Change in net position - GAAP basis			(41,455)	
Net position, beginning of year			<u>1,240,967</u>	
Net position, end of year			<u>\$ 1,199,512</u>	

TOWN OF IGNACIO, COLORADO
Gas Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 428,000	\$ 428,000	\$ 455,608	\$ 27,608
Interest revenue	5	5	7	2
Impact fees	-	-	5,193	5,193
Grant revenue	360,000	360,000	301,045	(58,955)
Total revenues	<u>788,005</u>	<u>788,005</u>	<u>761,853</u>	<u>(26,152)</u>
Expenses				
Commodity purchases	194,500	194,500	167,740	26,760
Personnel services	118,349	118,349	170,962	(52,613)
Contracted services	1,358	1,358	9,194	(7,836)
Supplies	25,739	25,739	4,798	20,941
Repairs and maintenance	7,779	7,779	2,254	5,525
Administrative	17,035	17,035	9,487	7,548
Capital outlay	580,072	580,072	-	580,072
Utilities	2,731	2,731	2,613	118
Debt service	-	-	621	(621)
Transfers out	5,000	5,000	5,000	-
Total expenses	<u>952,563</u>	<u>952,563</u>	<u>372,669</u>	<u>579,894</u>
Change in net position - budget basis	<u>\$ (164,558)</u>	<u>\$ (164,558)</u>	389,184	<u>\$ 553,742</u>
GAAP Basis Adjustments				
Depreciation			<u>(53,658)</u>	
Change in net position - GAAP basis			335,526	
Net position, beginning of year			<u>2,024,932</u>	
Position, end of year			<u><u>\$ 2,360,458</u></u>	

TOWN OF IGNACIO, COLORADO
Sewer Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 502,220	\$ 502,220	\$ 498,111	\$ (4,109)
Impact fees	-	-	2,850	2,850
Total revenues	<u>502,220</u>	<u>502,220</u>	<u>500,961</u>	<u>(1,259)</u>
Expenses				
Personnel services	53,090	53,090	71,124	(18,034)
Contract services	419,179	419,179	417,426	1,753
Supplies	3,869	3,869	374	3,495
Repairs and maintenance	890	890	851	39
Administration	3,168	3,168	1,136	2,032
Utilities	1,365	1,365	1,307	58
Debt service	21,626	21,626	13,423	8,203
Transfers out	5,000	5,000	5,000	-
Total expenses	<u>508,187</u>	<u>508,187</u>	<u>510,641</u>	<u>(2,454)</u>
Change in net position - budget basis	<u>\$ (5,967)</u>	<u>\$ (5,967)</u>	(9,680)	<u>\$ (3,713)</u>
GAAP Basis Adjustments				
Depreciation			<u>(15,971)</u>	
Change in net position - GAAP basis			(25,651)	
Net position - beginning of year			<u>151,961</u>	
Net position - end of year			<u>\$ 126,310</u>	

TOWN OF IGNACIO, COLORADO
Irrigation Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 29,880	\$ 29,880	\$ 31,922	\$ 2,042
Total revenues	29,880	29,880	31,922	2,042
Expenses				
Personnel Services	10,901	10,901	13,894	(2,993)
Contracted services	272	272	260	12
Supplies	3,956	3,956	2,882	1,074
Repairs and Maintenance	356	356	340	16
Administrative	266	266	254	12
Utilities	546	546	523	23
Debt service	13,192	13,192	4,941	8,251
Transfer out	1,500	1,500	1,500	-
Total expenses	30,989	30,989	24,594	6,395
Change in net position - budget basis	\$ (1,109)	\$ (1,109)	7,328	\$ 8,437
GAAP Basis Adjustments				
Depreciation			(3,584)	
Change in net position - GAAP basis			3,744	
Net position - beginning of year			43,116	
Net position - end of year			\$ 46,860	

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SUPPLEMENTARY INFORMATION
LOCAL HIGHWAY FINANCE REPORT

Section 43-2-132 of the Colorado Revised Statutes requires municipalities receiving Highway User Tax Funds to include a schedule of highway receipts and expenditures with the audit report. The said report is presented on the following two pages.

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Ignacio, CO
	YEAR ENDING : December 2017
Prepared By: Diana Briar, Treasurer Phone: 1-970-563-9494	

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	2,997
4. Miscellaneous local receipts (from page 2)	2,787
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)	5,784
B. Private Contributions	
C. Receipts from State government (from page 2)	32,391
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	38,174

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	0
2. Maintenance:	38,113
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	0
c. Other	17,604
d. Total (a. through c.)	17,604
4. General administration & miscellaneous	6,654
5. Highway law enforcement and safety	
6. Total (1 through 5)	62,372
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	62,372

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	24,198	38,174	62,372	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2017

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
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	2,997	g. Other Misc. Receipts	
6. Total (1. through 5.)	2,997	h. Other - Road and Bridge	2,787
c. Total (a. + b.)	2,997	i. Total (a. through h.)	2,787
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	24,383	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	3,690	d. Federal Transit Admin	
d. Other - Snow Removal	4,318	e. U.S. Corps of Engineers	
e. Other -		f. Other Federal	
f. Total (a. through e.)	8,008	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	32,391	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		0	0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		0	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:

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**Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and Board
Town of Ignacio, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ignacio, Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise of the Town of Ignacio, Colorado's basic financial statements and have issued our report thereon dated June 8, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
June 8, 2018