



TOWN OF IGNACIO, COLORADO
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF IGNACIO, COLORADO

Table of Contents

Financial Section:	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position - Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds.....	20
Notes to Financial Statements	21
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	44
Schedule of Pension Contributions	45
Notes to Pension Plan Schedules.....	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund - Budget-and-Actual	48
Combining Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	52
Combining Statement of Revenues Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	53
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Economic Development Fund - Budget-and-Actual.....	56
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Conservation Trust Fund - Budget-and-Actual	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Capital Improvement Fund - Budget-and-Actual	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Impacts Fees Fund - Budget-and-Actual	59

Table of Contents, continued

Schedule of Revenues, Expenses, and Changes in
Available Resources – Enterprise Funds - Budget-and-Actual:

Water Fund	60
Gas Fund	61
Sewer Fund	62
Irrigation Fund	63
 Local Highway Finance Report.....	 66

Compliance Section:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters	69
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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 10, 2019, 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 10, 2019

TOWN OF IGNACIO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

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, 2018. 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 \$6.4 million at the close of the fiscal year. This was an increase of \$476,617 over the previous year.
- Total governmental and business-type net position increased by a combined total of \$476,617. This is compared to last year's change in net position of \$456,315.
- The total cost of all Town programs for 2018 was \$2,609,489.
- The general fund unassigned fund balance at the end of 2018 was \$800,396 which is 56.8% 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 \$6.4 million as of December 31, 2018 as shown in the following condensed statement of net position. Of this amount, \$1,249,459 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 \$4,777,945 (75.1% 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, 2018 and 2017:

TOWN OF IGNACIO, COLORADO Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current and other assets	\$ 1,386,767	\$ 1,016,720	\$ 374,441	\$ 675,792	\$ 1,761,208	\$ 1,692,512
Capital assets	1,134,087	1,160,397	3,927,486	3,815,098	5,061,573	4,975,495
Total assets	<u>2,520,854</u>	<u>2,177,117</u>	<u>4,301,927</u>	<u>4,490,890</u>	<u>6,822,781</u>	<u>6,668,007</u>
Deferred Outflows of Resources	141,243	158,457	-	-	141,243	158,457
Long-term liabilities outstanding	67,134	105,967	289,568	672,535	356,702	778,502
Other liabilities	58,269	40,980	113,202	85,215	171,471	126,195
Total liabilities	<u>125,403</u>	<u>146,947</u>	<u>402,770</u>	<u>757,750</u>	<u>528,173</u>	<u>904,697</u>
Deferred Inflows of Resources	70,602	33,135	-	-	70,602	33,135
Net position:						
Net investment in capital assets	1,134,087	1,149,288	3,643,858	3,150,861	4,777,945	4,300,149
Restricted	337,845	180,412	-	-	337,845	180,412
Unrestricted	994,160	825,792	255,299	582,279	1,249,459	1,408,071
Total net position	<u>\$ 2,466,092</u>	<u>\$ 2,155,492</u>	<u>\$ 3,899,157</u>	<u>\$ 3,733,140</u>	<u>\$ 6,365,249</u>	<u>\$ 5,888,632</u>

An additional portion of net position, \$337,845, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,249,459 (19.6% 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 \$1,344,458 as shown in the Changes in Net Position statement below. \$104,630 of this cost was paid for by those who directly benefited from the programs. \$263,722 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 \$1,326,706.

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.

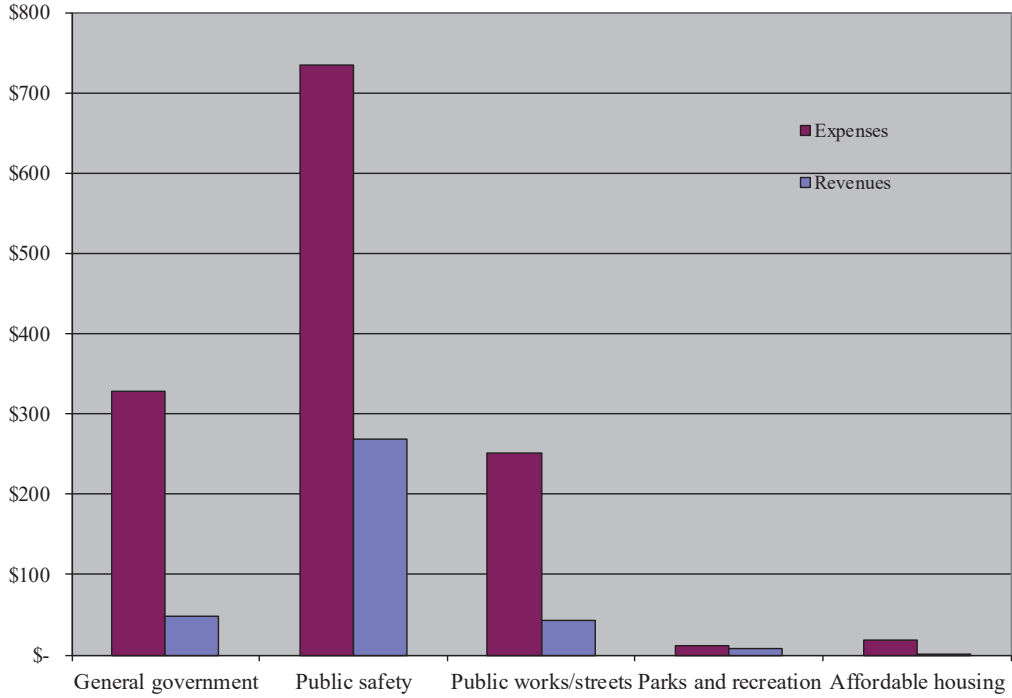
TOWN OF IGNACIO, COLORADO Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Revenues:						
Program revenues:						
Charges for services	\$ 104,630	\$ 90,445	\$ 1,256,833	\$ 1,222,902	\$ 1,361,463	\$ 1,313,347
Operating grants and contributions	263,722	296,644	-	-	263,722	296,644
Capital grants and contributions	-	30,650	134,207	314,053	134,207	344,703
General revenues:						
Taxes	1,326,698	1,226,965	-	-	1,326,698	1,226,965
Investment earnings	8	16	8	7	16	23
Total revenues	<u>1,695,058</u>	<u>1,644,720</u>	<u>1,391,048</u>	<u>1,536,962</u>	<u>3,086,106</u>	<u>3,181,682</u>
Expenses:						
General government	328,903	398,510	-	-	328,903	398,510
Public safety	734,768	748,449	-	-	734,768	748,449
Public works/streets	250,392	274,120	-	-	250,392	274,120
Parks and recreation	11,787	9,621	-	-	11,787	9,621
Affordable housing	18,259	45,761	-	-	18,259	45,761
Interest on long-term debt	349	608	-	-	349	608
Water	-	-	295,796	278,681	295,796	278,681
Gas	-	-	411,888	421,327	411,888	421,327
Sewer	-	-	531,483	521,612	531,483	521,612
Irrigation	-	-	25,864	26,678	25,864	26,678
Total expenses	<u>1,344,458</u>	<u>1,477,069</u>	<u>1,265,031</u>	<u>1,248,298</u>	<u>2,609,489</u>	<u>2,725,367</u>
Increase (decrease) in net position before transfers	350,600	167,651	126,017	288,664	476,617	456,315
Transfers	(40,000)	16,500	40,000	(16,500)	-	-
Net position, beginning	2,155,492	1,971,341	3,733,140	3,460,976	5,888,632	5,432,317
Net position, ending	<u>\$ 2,466,092</u>	<u>\$ 2,155,492</u>	<u>\$ 3,899,157</u>	<u>\$ 3,733,140</u>	<u>\$ 6,365,249</u>	<u>\$ 5,888,632</u>

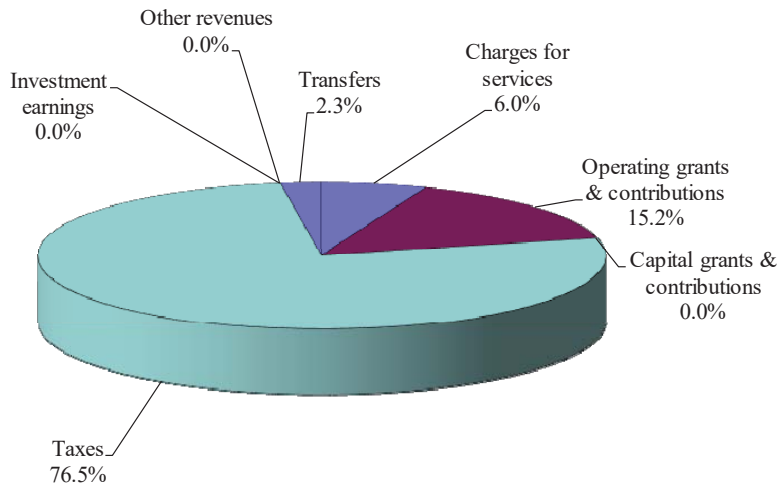
Total resources available during the year to finance governmental operations were \$3,850,550 consisting of Net position at January 1, 2018 of \$2,155,492, program revenues of \$368,352, General Revenues of \$1,326,706, and transfers in of \$0. Total Governmental Activities expenses during the year were \$1,344,458 and transfers out were \$40,000; thus Governmental Net Position increased by \$310,600 to \$2,466,092.

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)



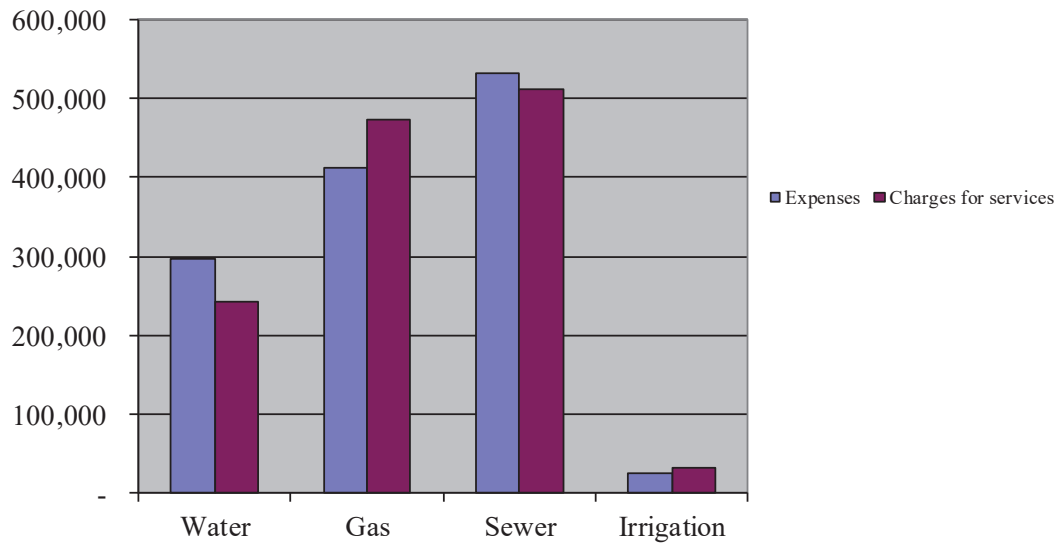
Revenue By Source - Governmental Activities



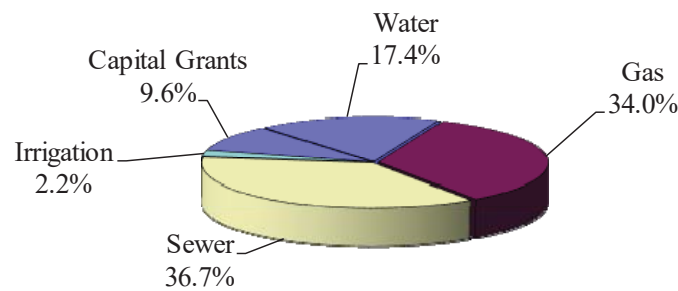
Business Type Activities

Net position of the Business Type activities at December 31, 2018, as reflected in the Statement of Net Position was \$3.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,265,031 as shown in the statement of Changes in Net Position. The amounts paid by users of the system were \$1,256,833 and there was \$134,207 subsidized by capital grants and contributions. Investment earnings were \$8. The Net Position increased by \$166,017. 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 \$1.2 million, an increase of \$245,245 in comparison with the prior year. Approximately 67.3% or \$800,396 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, 2018, unassigned fund balance in the General Fund was \$800,396. 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 56.8% of the total General Fund expenditures. The fund balance of the Town's General Fund increased by \$132,611 for the year ended December 31, 2018. Total revenues in the General Fund increased \$36,158 from the prior year, and total expenses increased by \$141,108 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, 2018 for the Town's four enterprise funds (Water, Gas, Sewer, and Irrigation) are as follows:

	Water	Gas	Sewer	Irrigation	Total
Unrestricted net position	\$ 6,150	\$ 206,572	\$ 13,096	\$ 29,481	\$ 255,299
Total net position	1,398,988	2,083,984	120,783	295,402	3,899,157
Change in net position	199,476	(276,474)	(5,527)	248,542	166,017

Budgetary Highlights

General fund revenues of \$1,600,016 were less than budgeted revenues of \$1,784,234 by \$184,218. Actual expenditures were \$354,141 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 2018, net capital assets of the government activities totaled \$1.1 million and the net capital assets of the business-type activities were \$3.9 million. The most significant business-type fund capital asset addition was the Irrigation project that was started in 2018. 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 \$67,134 in governmental type debt, and \$289,568 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$421,800. (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 2019, 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, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 841,569	\$ 190,219	\$ 1,031,788
Receivables (net of allowance)	311,022	243,843	554,865
Internal balances	59,621	(59,621)	-
Net pension asset	105,717	-	105,717
Temporarily restricted assets:			
Cash and cash equivalents	68,838	-	68,838
Capital assets not being depreciated:			
Land	335,986	16,974	352,960
Construction in progress	-	181,275	181,275
Capital assets (net of accumulated depreciation):			
Utility plant	-	3,550,885	3,550,885
Irrigation system	-	125,855	125,855
Buildings	173,057	-	173,057
Machinery and equipment	37,260	52,497	89,757
Vehicles	128,365	-	128,365
Infrastructure and systems	459,419	-	459,419
Total assets	<u>2,520,854</u>	<u>4,301,927</u>	<u>6,822,781</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>141,243</u>	<u>-</u>	<u>141,243</u>
Liabilities			
Accounts payable and other current liabilities	58,269	113,202	171,471
Noncurrent liabilities:			
Due within one year	67,134	14,842	81,976
Due in more than one year	-	274,726	274,726
Total liabilities	<u>125,403</u>	<u>402,770</u>	<u>528,173</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	33,536	-	33,536
Deferred inflows related to pensions	<u>37,066</u>	<u>-</u>	<u>37,066</u>
Total deferred inflows of resources	<u>70,602</u>	<u>-</u>	<u>70,602</u>
Net Position			
Net investment in capital assets	1,134,087	3,643,858	4,777,945
Restricted for:			
Emergency reserve	53,550	-	53,550
Public safety	15,576	-	15,576
Parks and recreation	57,467	-	57,467
Public works	9,854	-	9,854
Rock creek III	114,171	-	114,171
Capital improvements	87,227	-	87,227
Unrestricted	<u>994,160</u>	<u>255,299</u>	<u>1,249,459</u>
Total net position	<u>\$ 2,466,092</u>	<u>\$ 3,899,157</u>	<u>\$ 6,365,249</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, 2018

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	\$ 328,903	\$ 48,124	\$ -	\$ -	\$ (280,779)	\$ -	\$ (280,779)
Public safety	734,768	12,962	256,055	-	(465,751)	-	(465,751)
Public works/streets	250,392	43,544	-	-	(206,848)	-	(206,848)
Parks and recreation	11,787	-	7,321	-	(4,466)	-	(4,466)
Affordable housing	18,259	-	346	-	(17,913)	-	(17,913)
Interest on long-term debt	349	-	-	-	(349)	-	(349)
Total governmental activities	1,344,458	104,630	263,722	-	(976,106)	-	(976,106)
Business-type activities:							
Water	295,796	242,071	-	19,741	-	(33,984)	(33,984)
Gas	411,888	472,866	-	18,500	-	79,478	79,478
Sewer	531,483	510,956	-	-	-	(20,527)	(20,527)
Irrigation	25,864	30,940	-	95,966	-	101,042	101,042
Total business-type activities	1,265,031	1,256,833	-	134,207	-	126,009	126,009
Total primary government	\$ 2,609,489	\$ 1,361,463	\$ 263,722	\$ 134,207	(976,106)	126,009	(850,097)
General Revenues:							
Taxes:							
Property tax							
					30,580	-	30,580
Sales tax							
					1,231,740	-	1,231,740
Other taxes							
					63,449	-	63,449
Franchise tax							
					929	-	929
Unrestricted investment earnings							
					8	8	16
Transfers							
					(40,000)	40,000	-
Total general revenues & transfers							
					1,286,706	40,008	1,326,714
Change in net position							
					310,600	166,017	476,617
Net position - beginning							
					2,155,492	3,733,140	5,888,632
Net position - ending							
					\$ 2,466,092	\$ 3,899,157	\$ 6,365,249

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

TOWN OF IGNACIO, COLORADO
Balance Sheet
Governmental Funds
December 31, 2018

Assets	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 552,185	\$ 289,384	\$ 841,569
Accounts receivable	17,637	-	17,637
Property taxes receivable	33,536	-	33,536
Due from other governments	229,222	30,627	259,849
Due from other funds	59,621	-	59,621
Restricted cash and investments	68,838	-	68,838
Total assets	<u>\$ 961,039</u>	<u>\$ 320,011</u>	<u>\$ 1,281,050</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 28,959	\$ -	\$ 28,959
Accrued liabilities	29,310	-	29,310
Total liabilities	<u>58,269</u>	<u>-</u>	<u>58,269</u>
Deferred inflows of resources:			
Deferred revenue - property taxes	33,536	-	33,536
	<u>33,536</u>	<u>-</u>	<u>33,536</u>
Fund balances:			
Restricted for:			
Emergency reserve	53,550	-	53,550
Public safety	15,288	288	15,576
Parks and recreation	-	57,467	57,467
Streets	-	9,854	9,854
Rock creek III	-	114,171	114,171
Capital improvements	-	87,227	87,227
Committed for:			
Capital improvements	-	33,522	33,522
Façade loans	-	17,482	17,482
Unassigned	800,396	-	800,396
Total fund balances	<u>869,234</u>	<u>320,011</u>	<u>1,189,245</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 961,039</u>	<u>\$ 320,011</u>	<u>\$ 1,281,050</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, 2018

Total fund balances - governmental funds \$ 1,189,245

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	2,261,309	
Accumulated depreciation	<u>(1,127,222)</u>	1,134,087

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

Compensated absences	<u>(67,134)</u>	(67,134)
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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	141,243	
Deferred inflows	(37,066)	
Net pension asset	<u>105,717</u>	209,894

Total net position - governmental activities		<u><u>\$ 2,466,092</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, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,178,415	\$ -	\$ 1,178,415
Licenses and permits	13,061	-	13,061
Intergovernmental	325,005	95,034	420,039
Fines and forfeitures	2,415	-	2,415
Charges for services	39,239	-	39,239
Interest revenue	-	8	8
Other revenues	41,881	-	41,881
Total revenues	<u>1,600,016</u>	<u>95,042</u>	<u>1,695,058</u>
Expenditures			
Current:			
Legislative	12,195	-	12,195
Administration	251,912	-	251,912
Community development	56,774	-	56,774
Public safety	790,166	-	790,166
Public works	212,505	-	212,505
Parks	30,398	-	30,398
Debt service:			
Principal	11,109	-	11,109
Interest and fees	380	-	380
Capital outlay	43,595	779	44,374
Total expenditures	<u>1,409,034</u>	<u>779</u>	<u>1,409,813</u>
Excess of revenues over (under) expenditures	190,982	94,263	285,245
Other financing sources (uses):			
Transfers in	55,800	114,171	169,971
Transfers out	(114,171)	(95,800)	(209,971)
Total other financing sources (uses)	<u>(58,371)</u>	<u>18,371</u>	<u>(40,000)</u>
Net change in fund balances	132,611	112,634	245,245
Fund balance, beginning of year	<u>736,623</u>	<u>207,377</u>	<u>944,000</u>
Fund balance, end of year	<u>\$ 869,234</u>	<u>\$ 320,011</u>	<u>\$ 1,189,245</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, 2018

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

Net change in fund balances - total governmental funds	\$	245,245
<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		60,732
Depreciation expense		(87,042)
		(26,310)
<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>		
		11,109
<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>		
		31
<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		(37,282)
Pension expense		116,895
		79,613
<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>		
		912
Change in net position of governmental activities	\$	310,600

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

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

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Assets					
Current assets:					
Cash	\$ -	\$ 184,315	\$ 5,904	\$ -	\$ 190,219
Accounts receivable	21,130	69,957	49,091	28	140,206
Intergovernmental receivable	11,012	-	-	92,625	103,637
Total current assets	<u>32,142</u>	<u>254,272</u>	<u>54,995</u>	<u>92,653</u>	<u>434,062</u>
Capital assets:					
Land	16,974	-	-	-	16,974
Construction in progress	41,209	-	-	140,066	181,275
Utility plant	1,824,707	2,499,977	518,132	-	4,842,816
Irrigation system	-	-	-	209,057	209,057
Equipment	66,251	133,547	17,500	-	217,298
Accumulated depreciation	(556,303)	(756,112)	(144,317)	(83,202)	(1,539,934)
Total capital assets	<u>1,392,838</u>	<u>1,877,412</u>	<u>391,315</u>	<u>265,921</u>	<u>3,927,486</u>
Total assets	<u>\$ 1,424,980</u>	<u>\$ 2,131,684</u>	<u>\$ 446,310</u>	<u>\$ 358,574</u>	<u>\$ 4,361,548</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 9,490	\$ 35,786	\$ 36,846	\$ 13,580	\$ 95,702
Accrued liabilities	4,800	8,900	3,800	-	17,500
Due to other funds	10,251	-	-	49,370	59,621
Bonds payable - current	-	-	8,902	-	8,902
Compensated absences - current	1,451	3,014	1,253	222	5,940
Total current liabilities	<u>25,992</u>	<u>47,700</u>	<u>50,801</u>	<u>63,172</u>	<u>187,665</u>
Long-term liabilities:					
Bonds payable, net of current portion	-	-	274,726	-	274,726
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>274,726</u>	<u>-</u>	<u>274,726</u>
Total liabilities	<u>25,992</u>	<u>47,700</u>	<u>325,527</u>	<u>63,172</u>	<u>462,391</u>
Net position					
Net investment in capital assets	1,392,838	1,877,412	107,687	265,921	3,643,858
Unrestricted	6,150	206,572	13,096	29,481	255,299
Total net position	<u>\$ 1,398,988</u>	<u>\$ 2,083,984</u>	<u>\$ 120,783</u>	<u>\$ 295,402</u>	<u>\$ 3,899,157</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, 2018

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Operating revenues					
Charges for services	\$ 242,071	\$ 472,866	\$ 510,956	\$ 30,940	\$ 1,256,833
Total operating revenues	<u>242,071</u>	<u>472,866</u>	<u>510,956</u>	<u>30,940</u>	<u>1,256,833</u>
Operating expenses					
Commodity purchases	142,479	149,374	-	-	291,853
Personnel services	83,055	164,842	68,365	13,690	329,952
Contracted services	12,973	27,513	429,857	241	470,584
Supplies	1,666	1,813	473	3,191	7,143
Repairs and maintenance	1,384	1,666	685	247	3,982
Administrative	4,785	10,803	1,229	234	17,051
Depreciation	38,319	52,932	16,553	3,583	111,387
Utilities	2,565	2,565	1,270	457	6,857
Total operating expenses	<u>287,226</u>	<u>411,508</u>	<u>518,432</u>	<u>21,643</u>	<u>1,238,809</u>
Operating income / (loss)	<u>(45,155)</u>	<u>61,358</u>	<u>(7,476)</u>	<u>9,297</u>	<u>18,024</u>
Non-operating revenues (expenses)					
Interest revenue	-	8	-	-	8
Capital grant	19,741	18,500	-	95,966	134,207
Interest expense	(8,570)	(380)	(13,051)	(4,221)	(26,222)
Total non-operating revenues (expenses)	<u>11,171</u>	<u>18,128</u>	<u>(13,051)</u>	<u>91,745</u>	<u>107,993</u>
Income (loss) before transfers	<u>(33,984)</u>	<u>79,486</u>	<u>(20,527)</u>	<u>101,042</u>	<u>126,017</u>
Transfers:					
Transfers in	233,460	-	15,000	147,500	395,960
Transfers out	<u>-</u>	<u>(355,960)</u>	<u>-</u>	<u>-</u>	<u>(355,960)</u>
Change in net position	<u>199,476</u>	<u>(276,474)</u>	<u>(5,527)</u>	<u>248,542</u>	<u>166,017</u>
Total net position, beginning of year	<u>1,199,512</u>	<u>2,360,458</u>	<u>126,310</u>	<u>46,860</u>	<u>3,733,140</u>
Total net position, end of year	<u>\$ 1,398,988</u>	<u>\$ 2,083,984</u>	<u>\$ 120,783</u>	<u>\$ 295,402</u>	<u>\$ 3,899,157</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, 2018

	Water Fund	Gas Fund	Sewer Fund	Irrigation Fund	Combined Total
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 244,472	\$ 463,142	\$ 512,076	\$ 31,753	\$ 1,251,443
Cash paid to suppliers	(163,715)	(183,352)	(432,217)	9,210	(770,074)
Cash paid to employees	(83,392)	(165,642)	(68,851)	(13,834)	(331,719)
Net cash flows from operating activities	<u>(2,635)</u>	<u>114,148</u>	<u>11,008</u>	<u>27,129</u>	<u>149,650</u>
Cash flows from noncapital financing activities:					
Proceeds/(payments) to other funds	10,251	-	-	49,370	59,621
Transfers from/(to) other funds	233,460	(355,960)	15,000	147,500	40,000
Net cash flows from noncapital financing activities	<u>243,711</u>	<u>(355,960)</u>	<u>15,000</u>	<u>196,870</u>	<u>99,621</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(41,209)	(42,500)	-	(140,066)	(223,775)
Capital grants	8,729	56,354	-	3,341	68,424
Principal paid on long-term debt	(241,870)	(11,109)	(8,500)	(119,130)	(380,609)
Interest paid	(8,570)	(380)	(13,051)	(4,221)	(26,222)
Net cash flows from capital and related financing activities	<u>(282,920)</u>	<u>2,365</u>	<u>(21,551)</u>	<u>(260,076)</u>	<u>(562,182)</u>
Cash flows from investing activities:					
Interest on investments	-	8	-	-	8
Net change in cash and cash equivalents	(41,844)	(239,439)	4,457	(36,077)	(312,903)
Cash and cash equivalents, beginning of year	41,844	423,754	1,447	36,077	503,122
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 184,315</u>	<u>\$ 5,904</u>	<u>\$ -</u>	<u>\$ 190,219</u>
Reconciliation of operating income to net cash provided by operating activities:					
Net operating income (loss)	\$ (45,155)	\$ 61,358	\$ (7,476)	\$ 9,297	\$ 18,024
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	38,319	52,932	16,553	3,583	111,387
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	2,401	(9,724)	1,120	813	(5,390)
Increase/(decrease) in payables	2,137	10,382	1,297	13,580	27,396
Increase/(decrease) in accrued liabilities	(337)	(800)	(486)	(144)	(1,767)
Net cash flows from operating activities	<u>\$ (2,635)</u>	<u>\$ 114,148</u>	<u>\$ 11,008</u>	<u>\$ 27,129</u>	<u>\$ 149,650</u>

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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

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, 2018

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, 2018

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, 2018

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 8 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 8 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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>1,100,526</u>
Total cash and investments	<u><u>\$ 1,100,626</u></u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

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, 2018 cash on hand was \$100 and the carrying amount of the Town's deposits was \$1,100,526. As of December 31, 2018 the bank balance of the Town's deposits was \$1,197,364 of which \$372,320 was insured by federal depository insurance and \$825,044 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, 2018

Note 5. Capital Assets

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

Governmental Activities:	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
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	21,896	-	145,097
Vehicles	572,049	38,836	(32,414)	578,471
Infrastructure	646,168	-	-	646,168
Total capital assets, being depreciated	<u>1,897,005</u>	<u>60,732</u>	<u>(32,414)</u>	<u>1,925,323</u>
Less accumulated depreciation for:				
Buildings & improvements	(367,896)	(14,634)	-	(382,530)
Machinery and equipment	(102,505)	(5,332)	-	(107,837)
Vehicles	(443,926)	(38,594)	32,414	(450,106)
Infrastructure	(158,267)	(28,482)	-	(186,749)
Total accumulated depreciation	<u>(1,072,594)</u>	<u>(87,042)</u>	<u>32,414</u>	<u>(1,127,222)</u>
Total capital assets, being depreciated, net	<u>824,411</u>	<u>(26,310)</u>	<u>-</u>	<u>798,101</u>
Governmental activities capital assets, net	<u>\$ 1,160,397</u>	<u>\$ (26,310)</u>	<u>\$ -</u>	<u>\$ 1,134,087</u>

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

Governmental Activities:	
General government	\$ 8,186
Public safety	19,960
Public works/streets	37,924
Parks & recreation	3,288
Affordable housing	17,684
Total depreciation expense - governmental activities	<u>\$ 87,042</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

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 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital assets not being depreciated:				
Land	\$ 16,974	\$ -	\$ -	\$ 16,974
Construction in progress	608,749	181,275	(608,749)	181,275
Total capital assets, not being depreciated	<u>625,723</u>	<u>181,275</u>	<u>(608,749)</u>	<u>198,249</u>
Capital assets being depreciated:				
Utility plant	4,191,567	651,249	-	4,842,816
Irrigation system	209,057	-	-	209,057
Machinery and equipment	217,298	-	-	217,298
Total capital assets, being depreciated	<u>4,617,922</u>	<u>651,249</u>	<u>-</u>	<u>5,269,171</u>
Less accumulated depreciation for:				
Utility plant	(1,197,074)	(94,857)	-	(1,291,931)
Irrigation system	(79,619)	(3,583)	-	(83,202)
Machinery and equipment	(151,854)	(12,947)	-	(164,801)
Total accumulated depreciation	<u>(1,428,547)</u>	<u>(111,387)</u>	<u>-</u>	<u>(1,539,934)</u>
Total capital assets, being depreciated, net	<u>3,189,375</u>	<u>539,862</u>	<u>-</u>	<u>3,729,237</u>
Business-type activities capital assets, net	<u>\$ 3,815,098</u>	<u>\$ 721,137</u>	<u>\$ (608,749)</u>	<u>\$ 3,927,486</u>

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

Business-Type Activities:	
Sewer	\$ 16,553
Irrigation	3,583
Water	38,319
Gas	52,932
Total depreciation expense - business-type activities	<u>\$ 111,387</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended December 31, 2018:

	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Capital Lease - Chevy Truck	\$ 11,109	\$ -	\$ (11,109)	\$ -	\$ -
Compensated absences	68,046	34,675	(35,587)	67,134	67,134
Net Pension Liability	26,812	(26,812)	-	-	-
Total Governmental activity					
Long-term liabilities	<u>\$ 105,967</u>	<u>\$ 7,863</u>	<u>\$ (46,696)</u>	<u>\$ 67,134</u>	<u>\$ 67,134</u>
Business-Type Activities:					
Sewer Revenue Bonds	\$ 292,128	\$ -	\$ (8,500)	\$ 283,628	\$ 8,902
Water Loan Refunding	241,870	-	(241,870)	-	-
Irrigation Loan Refunding	119,130	-	(119,130)	-	-
Capital Lease - Chevy Truck	11,109	-	(11,109)	-	-
Compensated absences	8,298	2,397	(4,755)	5,940	5,940
Total Business-type activity					
Long-term liabilities	<u>\$ 672,535</u>	<u>\$ 2,397</u>	<u>\$ (385,364)</u>	<u>\$ 289,568</u>	<u>\$ 14,842</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, 2018

Note 6. Long-Term Debt, Continued

Long-term liabilities for the primary government at December 31, 2018 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.

	<u>\$ 283,628</u>
Total bonds payable	<u><u>\$ 283,628</u></u>

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

Years ending December 31:	Business-Type Activities	
	Principal	Interest
2019	\$ 8,902	\$ 12,676
2020	9,308	12,271
2021	9,731	11,847
2022	10,174	11,404
2023	10,637	10,941
2024-2028	60,901	46,990
2029-2033	76,078	31,813
2034-2038	97,897	12,855
2038	-	-
	<u>\$ 283,628</u>	<u>\$ 150,797</u>

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 7. Interfund Receivables, Payables, and Transfers

As of December 31, 2018, interfund receivables and payables that resulted from various interfold transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 59,621	\$ -
Water Fund	-	10,251
Irrigation Fund	-	49,370
	\$ 59,621	\$ 59,621

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

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

	Transfers In:					
	General Fund	Water Fund	Sewer Fund	Irrigation Fund	Nonmajor Funds	
Transfers Out:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 114,171	\$ 114,171
Gas Fund	-	233,460	15,000	107,500	-	355,960
Nonmajor Funds	55,800	-	-	40,000	-	95,800
	\$ 55,800	\$ 233,460	\$ 15,000	\$ 147,500	\$ 114,171	\$ 565,931

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 8. 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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 8. Retirement and Pension Plans, Continued

used to reduce the Town's current period contribution requirement. The payroll for the Town as of December 31, 2018 was \$905,427, and payroll for employees covered by this plan was \$370,415. The contributions made by the Town and employees were \$15,122 and \$18,536, 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:

	<u>Activities</u>
Net pension liability	\$ 105,717
Deferred outflows of resources	141,243
Deferred inflows of resources	(37,066)

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.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 8. Retirement and Pension Plans, Continued

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 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. 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.

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

<u>Year Ending December 30,</u>	<u>Retirement Fund</u>
2016	30,379
2017	34,386
2018	37,282

Pension Asset – At December 31, 2018, the Town reported an asset of \$105,717 for its proportionate share of the SWDB net pension asset/liability. The net pension asset/liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset/liability was determined using an actuarial valuation as of January 1, 2018. 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, 2017. The Town's proportion measured as of December 31, 2017, was 0.073483 percent for police, which was a decrease of 0.000716 percent from the proportions measured as of December 31, 2016.

Pension expense and deferred outflows/inflows of resources – For the year ended December 31, 2018, the Town recognized pension expense for SWDB of (\$42,331). At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 8. Retirement and Pension Plans, Continued

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,237	\$ 1,171
Changes in assumptions	15,928	-
Net difference between projected and actual earnings on pension plan investments	-	35,895
Changes in proportion and differences between contributions and proportional share of contributions	11,796	-
Contributions subsequent to the measurement date	37,282	-
Total	\$ 141,243	\$ 37,066

The \$37,282 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:

Year Ending December 31	Deferred Outflows (Inflows) of Resources
2019	\$ 13,754
2020	12,120
2021	(3,137)
2022	(8,795)
2023	12,459
Thereafter	40,493

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, 2018. 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%

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 8. Retirement and Pension Plans, Continued

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	37%	8.33%
Equity Long/Short	9%	7.15%
Illiquid Alternatives	24%	9.70%
Fixed Income	15%	3.00%
Absolute Return	9%	6.46%
Managed Futures	4%	6.85%
Cash	2%	2.26%
Total	100%	

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.

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 8. Retirement and Pension Plans, Continued

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%	Discount Rate 7.50%	1% Increase 8.50%
Police			
Net pension (asset) / liability	\$ 115,095	\$ (105,717)	\$ (289,073)

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

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 2018 was 3%. In 2018, the Town contributed \$12,654 for Accidental Death and Disability.

Note 9. 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).

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 9. Risk Management, Continued

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.

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 10. 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

TOWN OF IGNACIO, COLORADO
Notes to the Financial Statements
December 31, 2018

Note 10. Long-Term Contracts, Continued

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, 2018

	Police			
	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.073483%	0.074199%	0.085066%	0.086843%
Proportionate share of the net pension liability (asset)	\$ (105,716)	\$ 26,812	\$ (1,500)	\$ (98,009)
Covered payroll	\$ 429,818	\$ 379,740	\$ 412,378	\$ 390,530
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-24.60%	7.06%	-0.36%	-23.77%
Plan fiduciary net position as a percentage of the total pension liability	106.30%	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, 2018

	Police Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 37,282	\$ 34,386	\$ 30,379	\$ 32,990	\$ 31,243
Contributions in relation to the contractually required contribution	\$ (37,282)	\$ (34,386)	\$ (30,379)	\$ (32,990)	\$ (31,243)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 466,032	\$ 429,818	\$ 379,740	\$ 412,378	\$ 390,530
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%

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
 Notes to Pension Plan Schedules
 December 31, 2018**

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for FPPA are calculated as of January 1, or two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

- Actuarial cost method Entry age normal
- Amortization method Level % of payroll, open
- Remaining amortization period 14 years
- Asset valuation method 5-year smoothed fair value
- Actuarial assumptions:
 - Investment rate of return: 7.5%
 - Projected salary increase: 4.0% - 14.0%
 - Inflation: 2.5%
 - COLA: 0.0%

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, 2018

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Property tax	\$ 31,771	\$ 31,771	\$ 30,580	\$ (1,191)
Specific ownership taxes	1,500	1,500	3,995	2,495
Town sales tax	310,000	310,000	342,002	32,002
County sales tax	750,000	750,000	800,457	50,457
Franchise tax	3,000	3,000	929	(2,071)
Payment in lieu	500	500	452	(48)
Total taxes	<u>1,096,771</u>	<u>1,096,771</u>	<u>1,178,415</u>	<u>81,644</u>
Licenses, permits and fees:				
Liquor licenses	1,700	1,700	1,523	(177)
Permits	4,700	4,700	5,618	918
Business licenses	2,000	2,000	2,670	670
Animal licenses	500	500	450	(50)
Other licenses	2,000	2,000	2,800	800
Total licenses, permits and fees	<u>10,900</u>	<u>10,900</u>	<u>13,061</u>	<u>2,161</u>
Intergovernmental:				
Cigarette taxes	1,800	1,800	1,914	114
Motor vehicle registrations	2,300	2,300	3,164	864
Mineral lease	5,000	5,000	9,289	4,289
Highway user tax	23,969	23,969	30,940	6,971
Severance tax	6,000	6,000	12,661	6,661
County road and bridge	2,500	2,500	2,947	447
Other intergovernmental	260,377	260,377	264,090	3,713
Total intergovernmental	<u>301,946</u>	<u>301,946</u>	<u>325,005</u>	<u>23,059</u>
Fines and forfeitures:				
Court fines	1,000	1,000	2,415	1,415
Total fines and forfeitures	<u>1,000</u>	<u>1,000</u>	<u>2,415</u>	<u>1,415</u>
Charges for services:				
Trash	36,000	36,000	39,006	3,006
Snow removal	4,500	4,500	-	(4,500)
Planning zoning fees	-	-	-	-
Other fees	395	395	233	(162)
Total charges for services	<u>40,895</u>	<u>40,895</u>	<u>39,239</u>	<u>(1,656)</u>
Other revenues:				
Other revenues	332,722	332,722	41,881	(290,841)
Total other revenues	<u>332,722</u>	<u>332,722</u>	<u>41,881</u>	<u>(290,841)</u>
Total revenues	<u>1,784,234</u>	<u>1,784,234</u>	<u>1,600,016</u>	<u>(184,218)</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, 2018

Expenditures	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Legislative				
Personnel services	11,523	11,523	9,086	2,437
Supplies	1,010	1,010	969	41
Purchased services	2,400	2,400	2,140	260
Total legislative	<u>14,933</u>	<u>14,933</u>	<u>12,195</u>	<u>2,738</u>
Administration:				
Personnel services	340,485	340,485	74,247	266,238
Supplies	13,000	13,000	7,881	5,119
Purchased services	36,915	36,915	121,131	(84,216)
Repairs and maintenance	15,000	15,000	8,561	6,439
Grants and contributions	6,808	6,808	6,808	-
Utilities	34,500	34,500	11,463	23,037
Other	45,552	45,552	21,821	23,731
Total administration	<u>492,260</u>	<u>492,260</u>	<u>251,912</u>	<u>240,348</u>
Community Development:				
Personnel services	88,735	88,735	36,686	52,049
Purchased services	1,000	1,000	17,785	(16,785)
Supplies	500	500	636	(136)
Other	730	730	1,667	(937)
Total community development	<u>90,965</u>	<u>90,965</u>	<u>56,774</u>	<u>34,191</u>
Public Safety:				
Personnel services	696,269	696,269	682,992	13,277
Supplies	11,500	11,500	18,911	(7,411)
Purchased services	-	-	3,496	(3,496)
Repairs and maintenance	7,000	7,000	21,223	(14,223)
Grants and contributions	14,989	14,989	14,983	6
Utilities	-	-	5,848	(5,848)
Other	34,185	34,185	42,713	(8,528)
Total public safety	<u>763,943</u>	<u>763,943</u>	<u>790,166</u>	<u>(26,223)</u>
Public Works:				
Personnel services	250,877	177,213	59,251	117,962
Supplies	3,700	3,700	5,449	(1,749)
Purchased services	37,000	37,000	39,876	(2,876)
Repairs and maintenance	86,500	86,500	74,854	11,646
Utilities	-	-	4,678	(4,678)
Other	13,800	13,800	28,397	(14,597)
Total public works	<u>391,877</u>	<u>318,213</u>	<u>212,505</u>	<u>105,708</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, 2018

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Parks:				
Personnel services	15,829	15,829	6,978	8,851
Supplies	3,000	3,000	1,524	1,476
Other	16,300	16,300	21,896	(5,596)
Total parks	<u>35,129</u>	<u>35,129</u>	<u>30,398</u>	<u>4,731</u>
Debt Service:				
Principal	4,850	4,850	11,109	(6,259)
Interest	382	382	380	2
Total debt service	<u>5,232</u>	<u>5,232</u>	<u>11,489</u>	<u>(6,257)</u>
Capital outlay:				
Capital outlay	42,500	42,500	43,595	(1,095)
Total capital outlay	<u>42,500</u>	<u>42,500</u>	<u>43,595</u>	<u>(1,095)</u>
Total expenditures	<u>1,836,839</u>	<u>1,763,175</u>	<u>1,409,034</u>	<u>354,141</u>
Excess of revenues over (under) expenditures	<u>(52,605)</u>	<u>21,059</u>	<u>190,982</u>	<u>169,923</u>
Other financing sources (uses):				
Transfers in	55,800	55,800	55,800	-
Transfer out	-	(144,171)	(114,171)	30,000
Total other financing sources (uses)	<u>55,800</u>	<u>(88,371)</u>	<u>(58,371)</u>	<u>30,000</u>
Net change in fund balance	3,195	(67,312)	132,611	199,923
Fund balance, beginning of year	<u>736,623</u>	<u>736,623</u>	<u>736,623</u>	<u>-</u>
Fund balance, end of year	<u>\$ 739,818</u>	<u>\$ 669,311</u>	<u>\$ 869,234</u>	<u>\$ 199,923</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, 2018

	Special Revenue		Capital Projects		Total
	Economic Development	Conservation Trust	Capital Improvement	Impact Fees	
Assets					
Cash	\$ 131,653	\$ 53,390	\$ 90,122	\$ 14,219	\$ 289,384
Due from other governments	-	-	30,627	-	30,627
Total assets	<u>\$ 131,653</u>	<u>\$ 53,390</u>	<u>\$ 120,749</u>	<u>\$ 14,219</u>	<u>\$ 320,011</u>
Liabilities and Fund Balance					
Liabilities:					
Total liabilities	-	-	-	-	-
Fund Balances:					
Restricted for:					
Parks and recreation	-	53,390	-	4,077	57,467
Streets	-	-	-	9,854	9,854
Public safety	-	-	-	288	288
Rock creek III	114,171	-	-	-	114,171
Capital improvements	-	-	87,227	-	87,227
Committed for:					
Façade loans	17,482	-	-	-	17,482
Capital improvements	-	-	33,522	-	33,522
Total fund balance	<u>131,653</u>	<u>53,390</u>	<u>120,749</u>	<u>14,219</u>	<u>320,011</u>
Total liabilities and fund balance	<u>\$ 131,653</u>	<u>\$ 53,390</u>	<u>\$ 120,749</u>	<u>\$ 14,219</u>	<u>\$ 320,011</u>

TOWN OF IGNACIO, COLORADO
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue		Capital Projects		Total
	Economic Development	Conservation Trust	Capital Improvement	Impact Fees Fund	
Revenues					
Intergovernmental	\$ 346	\$ 7,321	\$ 87,367	\$ -	\$ 95,034
Impact fees	-	-	-	-	-
Interest revenue	8	-	-	-	8
Total revenues	<u>354</u>	<u>7,321</u>	<u>87,367</u>	<u>-</u>	<u>95,042</u>
Expenditures					
Capital Outlay	640	-	139	-	779
Total expenditures	<u>640</u>	<u>-</u>	<u>139</u>	<u>-</u>	<u>779</u>
Excess of revenues over (under) expenditures	<u>(286)</u>	<u>7,321</u>	<u>87,228</u>	<u>-</u>	<u>94,263</u>
Other financing sources (uses):					
Transfers in	114,171	-	-	-	114,171
Transfers out	-	-	(40,000)	(55,800)	(95,800)
Total other financing sources (uses)	<u>114,171</u>	<u>-</u>	<u>(40,000)</u>	<u>(55,800)</u>	<u>18,371</u>
Net change in fund balances	113,885	7,321	47,228	(55,800)	112,634
Fund balance, beginning of year	<u>17,768</u>	<u>46,069</u>	<u>73,521</u>	<u>70,019</u>	<u>207,377</u>
Fund balance, end of year	<u>\$ 131,653</u>	<u>\$ 53,390</u>	<u>\$ 120,749</u>	<u>\$ 14,219</u>	<u>\$ 320,011</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 10,625	\$ 10,625	\$ 346	\$ (10,279)
Interest	-	-	8	8
Total revenues	<u>10,625</u>	<u>10,625</u>	<u>354</u>	<u>(10,271)</u>
Expenditures				
Capital outlay	<u>22,800</u>	<u>22,800</u>	<u>640</u>	<u>22,160</u>
Total expenditures	<u>22,800</u>	<u>22,800</u>	<u>640</u>	<u>22,160</u>
Excess of revenues over (under) expenditures	<u>(12,175)</u>	<u>(12,175)</u>	<u>(286)</u>	<u>11,889</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>114,171</u>	<u>114,171</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>114,171</u>	<u>114,171</u>
Net change in fund balance	(12,175)	(12,175)	113,885	126,060
Fund balance, beginning of year	<u>17,768</u>	<u>17,768</u>	<u>17,768</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,593</u></u>	<u><u>\$ 5,593</u></u>	<u><u>\$ 131,653</u></u>	<u><u>\$ 126,060</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 26,000	\$ 26,000	\$ 7,321	\$ (18,679)
Total revenue	26,000	26,000	7,321	(18,679)
Expenditures				
Other	40,000	40,000	-	40,000
Total expenditures	40,000	40,000	-	40,000
Excess of revenues over (under) expenditures	(14,000)	(14,000)	7,321	21,321
Net change in fund balance	(14,000)	(14,000)	7,321	21,321
Fund balance, beginning of year	46,069	46,069	46,069	-
Fund balance, end of year	\$ 32,069	\$ 32,069	\$ 53,390	\$ 21,321

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenue	\$ -	\$ -	\$ 87,367	\$ 87,367
Total revenue	-	-	87,367	87,367
Expenditures				
Capital outlay	20,000	20,000	139	19,861
Total expenditures	20,000	20,000	139	19,861
Excess of revenues over (under) expenditures	(20,000)	(20,000)	87,228	107,228
Other financing sources (uses):				
Transfers out	-	-	(40,000)	(40,000)
Total other financing sources (uses):	-	-	(40,000)	(40,000)
Net change in fund balance	(20,000)	(20,000)	47,228	67,228
Fund balance, beginning of year	73,521	73,521	73,521	-
Fund balance, end of year	\$ 53,521	\$ 53,521	\$ 120,749	\$ 67,228

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Impact fees	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
Expenditures				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	(55,800)	(55,800)	(55,800)	-
Total other financing sources (uses)	(55,800)	(55,800)	(55,800)	-
Net change in fund balance	(55,800)	(55,800)	(55,800)	-
Fund balance, beginning of year	70,019	70,019	70,019	-
Fund balance, end of year	<u>\$ 14,219</u>	<u>\$ 14,219</u>	<u>\$ 14,219</u>	<u>\$ -</u>

TOWN OF IGNACIO, COLORADO
Water Fund
Schedule of Revenues, Expenses and Changes in Available Resources
Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 248,500	\$ 248,500	\$ 242,071	\$ (6,429)
Grant revenue	288,925	288,925	19,741	(269,184)
Transfers in	135,000	135,000	233,460	98,460
Total revenues	<u>672,425</u>	<u>672,425</u>	<u>495,272</u>	<u>(177,153)</u>
Expenses				
Commodity purchases	131,200	131,200	142,479	(11,279)
Personnel services	67,658	67,658	83,055	(15,397)
Contracted services	4,388	4,388	12,973	(8,585)
Supplies	6,443	6,443	1,666	4,777
Repairs and maintenance	1,419	1,419	1,384	35
Administrative	19,124	19,124	4,785	14,339
Capital outlay	429,500	429,500	-	429,500
Utilities	2,629	2,629	2,565	64
Debt service	27,410	27,410	8,570	18,840
Total expenses	<u>689,771</u>	<u>689,771</u>	<u>257,477</u>	<u>432,294</u>
Change in net position - budget basis	<u>\$ (17,346)</u>	<u>\$ (17,346)</u>	237,795	<u>\$ 255,141</u>
GAAP Basis Adjustments				
Depreciation			<u>(38,319)</u>	
Change in net position - GAAP basis			199,476	
Net position, beginning of year			<u>1,199,512</u>	
Net position, end of year			<u><u>\$ 1,398,988</u></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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 376,000	\$ 376,000	\$ 472,866	\$ 96,866
Interest revenue	5	5	8	3
Grant revenue	70,000	70,000	18,500	(51,500)
Total revenues	<u>446,005</u>	<u>446,005</u>	<u>491,374</u>	<u>45,369</u>
Expenses				
Commodity purchases	129,000	129,000	149,374	(20,374)
Personnel services	123,389	123,389	164,842	(41,453)
Contracted services	2,388	2,388	27,513	(25,125)
Supplies	6,443	6,443	1,813	4,630
Repairs and maintenance	7,419	7,419	1,666	5,753
Administrative	15,549	15,549	10,803	4,746
Capital outlay	117,232	84,048	-	84,048
Utilities	2,629	2,629	2,565	64
Debt service	-	-	380	(380)
Transfers out	150,000	355,960	355,960	-
Total expenses	<u>554,049</u>	<u>726,825</u>	<u>714,916</u>	<u>11,909</u>
Change in net position - budget basis	<u>\$ (108,044)</u>	<u>\$ (280,820)</u>	(223,542)	<u>\$ 57,278</u>
GAAP Basis Adjustments				
Depreciation			<u>(52,932)</u>	
Change in net position - GAAP basis			(276,474)	
Net position, beginning of year			<u>2,360,458</u>	
Position, end of year			<u><u>\$ 2,083,984</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 512,000	\$ 512,000	\$ 510,956	\$ (1,044)
Transfers in	15,000	15,000	15,000	-
Total revenues	<u>527,000</u>	<u>527,000</u>	<u>525,956</u>	<u>(1,044)</u>
Expenses				
Personnel services	55,010	55,010	68,365	(13,355)
Contract services	427,687	427,687	429,857	(2,170)
Supplies	2,967	2,967	473	2,494
Repairs and maintenance	703	703	685	18
Administration	3,240	3,240	1,229	2,011
Utilities	1,302	1,302	1,270	32
Debt service	<u>21,555</u>	<u>21,555</u>	<u>13,051</u>	<u>8,504</u>
Total expenses	<u>512,464</u>	<u>512,464</u>	<u>514,930</u>	<u>(2,466)</u>
Change in net position - budget basis	<u>\$ 14,536</u>	<u>\$ 14,536</u>	11,026	<u>\$ (3,510)</u>
GAAP Basis Adjustments				
Depreciation			<u>(16,553)</u>	
Change in net position - GAAP basis			(5,527)	
Net position - beginning of year			<u>126,310</u>	
Net position - end of year			<u>\$ 120,783</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 31,665	\$ 31,665	\$ 30,940	\$ (725)
Grant revenue	100,000	100,000	95,966	(4,034)
Transfers in	-	-	147,500	147,500
	<u>131,665</u>	<u>131,665</u>	<u>274,406</u>	<u>147,500</u>
Expenses				
Personnel Services	11,067	14,067	13,690	377
Contracted services	278	278	241	37
Supplies	4,789	4,789	3,191	1,598
Repairs and Maintenance	284	284	247	37
Administrative	268	268	234	34
Utilities	526	526	457	69
Capital outlay	130,318	204,718	-	204,718
Debt service	13,501	125,501	4,221	121,280
	<u>161,031</u>	<u>350,431</u>	<u>22,281</u>	<u>328,150</u>
Change in net position - budget basis	<u>\$ (29,366)</u>	<u>\$ (218,766)</u>	<u>\$ 252,125</u>	<u>\$ 475,650</u>
GAAP Basis Adjustments				
Depreciation			<u>(3,583)</u>	
Change in net position - GAAP basis			248,542	
Net position - beginning of year			<u>46,860</u>	
Net position - end of year			<u><u>\$ 295,402</u></u>	

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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 2018

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

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	34,682
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	18,585	b. Snow and ice removal	0
3. Other local imposts (from page 2)	3,995	c. Other	24,949
4. Miscellaneous local receipts (from page 2)	2,947	d. Total (a. through c.)	24,949
5. Transfers from toll facilities		4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	59,632
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	25,527	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	34,105	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	59,632	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)	59,632

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
	0	59,632	59,632	(0)	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2018

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	3,995	g. Other Misc. Receipts	
6. Total (1. through 5.)	3,995	h. Other - Road and Bridge	2,947
c. Total (a. + b.)	3,995	i. Total (a. through h.)	2,947
	(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	30,940	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	3,164	d. Federal Transit Admin	
d. Other - Snow Removal	0	e. U.S. Corps of Engineers	
e. Other -		f. Other Federal	
f. Total (a. through e.)	3,164	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	34,105	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, 2018, 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 10, 2019.

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 10, 2019



HINTONBURDICK
CPAs & ADVISORS

**Findings and Recommendations
For the Year Ended December 31, 2018**

The Honorable Mayor and
Town Board
Ignacio, Colorado

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Ignacio for the year ended December 31, 2018 we noted a few areas that may need corrective action in order for the Town to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

None noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

2018-001 Budget Amendments

Criteria: State budgeting guidelines specify that "to make a supplemental amendment to the budget requires a hearing to adopt an ordinance/resolution for a supplementary budget and appropriation. The hearing must be noticed in the same manner as the original budget hearing."

Condition: The supplemental budget for the 2018 year was approved during the December 13, 2018 meeting, but was not advertised in the same manner as the original budget hearing.

Cause: The Town has not designed and implemented controls to ensure compliance with state budgeting guidelines pertaining to supplemental budgets.

Effect: The Town did not comply with state budgeting guidelines.

Recommendation: We recommend the Town implement procedures to ensure the supplemental budget is advertised in the same manner as the original budget hearing to comply with state budgeting laws.

2015-002 Expenditures in Excess of Budget Appropriations

Criteria: Colorado revised statutes indicate that “no spending agency may expend or contract to expend any money in excess of the amount appropriated in the resolution/ordinance.”

Condition: The Sewer Fund and Capital Improvement Fund expenditures exceeded the final adopted budget.

Cause: The Town has not designed and implemented controls to ensure compliance with state budgeting statutes.

Effect: The Town did not comply with state budgeting statutes.

Recommendation: We recommend the Town implement procedures to ensure that total fund expenditures do not exceed total fund budget appropriations to comply with state budgeting statutes.

Other Matters:

None noted

This report is intended solely for the information and use of the Town Board, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
June 10, 2019



June 10, 2019

To the Honorable Mayor and Town Board
Town of Ignacio, Colorado

We have audited 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 for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Ignacio, Colorado are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Town's financial statements were:

1. The useful life of capital assets used in calculating depreciation as disclosed in note 1 of the financial statements.
2. Certain estimates and assumptions were used in calculating the State emergency reserve requirement.
3. For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, management's estimates have been determined on the same basis as they are reported by the Fire and Police Pension Association (FPPA). The Town's net pension liability/asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of January 1, 2018. All of the allocations have been made to governmental activities and are based on the pro-rata share of payroll and/or contributions.

We evaluated the key factors and assumptions used to develop depreciation, emergency reserve, and pension related item estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A copy of the adjustments proposed has been provided to Management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 10, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison reports, and pension related schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, budgetary comparison reports, and Local Highway Finance Report which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the

supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor, Town Board, and Management of the Town of Ignacio, Colorado and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Hinton Burdick, PLLC

HintonBurdick, PLLC