

TOWN OF DEL NORTE
FINANCIAL STATEMENTS
December 31, 2017



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

TOWN OF DEL NORTE
TABLE OF CONTENTS
December 31, 2017

	<u>Page</u>
Independent Auditors' Report	<u>1</u>
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Fund Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12
Required Supplementary Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund	25
Other Supplementary Information:	
Combining Statements of Nonmajor Governmental Funds:	
Combining Balance Sheet	26
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	27
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Capital Improvement Fund	28
Nonmajor Governmental Funds:	
Conservation Trust Fund	29
Debt Service Fund	30
Schedules of Revenues, Expenses, and Changes in Net Position - Budget and Actual Water Fund	31
Sewer Fund	32
Other Schedules and Reports:	
Local Highway Finance Report	



Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Trustees
Town of Del Norte, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial 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 and individual fund financial schedules and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 4, 2018

TOWN OF DEL NORTE
BASIC FINANCIAL STATEMENTS

TOWN OF DEL NORTE
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,270,686	\$ 1,182,361	\$ 3,453,047
Accounts Receivable	5,759	126,411	132,170
Due from Other Governments	104,919	63,320	168,239
Property Taxes Receivable	108,715	-	108,715
Inventories	-	62,169	62,169
Other Assets	555	-	555
Total Current Assets	2,490,634	1,434,261	3,924,895
Capital Assets			
Land and Land Improvements	498,356	-	498,356
Construction in Progress	102,855	414,984	517,839
Buildings and Improvements	1,013,230	-	1,013,230
Utility System	-	3,262,572	3,262,572
Infrastructure	371,493	1,120,794	1,492,287
Machinery and Equipment	551,664	472,938	1,024,602
Vehicles	313,463	-	313,463
Less: Accumulated Depreciation	(1,420,088)	(2,560,167)	(3,980,255)
Total Capital Assets	1,430,973	2,711,121	4,142,094
TOTAL ASSETS	3,921,607	4,145,382	8,066,989
LIABILITIES			
Current Liabilities			
Accounts Payable	15,915	18,914	34,829
CDPHE Settlement Payable	-	105,000	105,000
Notes Payable	-	45,635	45,635
Sales Tax Revenue Bonds	40,000	-	40,000
Total Current Liabilities	55,915	169,549	225,464
Long-Term Liabilities			
Compensated Absences	34,625	15,678	50,303
Notes Payable	-	460,831	460,831
Sales Tax Revenue Bonds	140,000	-	140,000
Total Long-Term Liabilities	174,625	476,509	651,134
TOTAL LIABILITIES	230,540	646,058	876,598
DEFERRED INFLOWS OF RESOURCES - CURRENT			
Unavailable Revenue - Property Tax	108,715	-	108,715
NET POSITION			
Net Investment in Capital Assets	1,250,973	2,204,655	3,455,628
Restricted for:			
TABOR	28,735	-	28,735
Debt Service	102,069	-	102,069
Unrestricted	2,200,575	1,294,669	3,495,244
TOTAL NET POSITION	\$ 3,582,352	\$ 3,499,324	\$ 7,081,676

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

TOWN OF DEL NORTE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Primary Government							
Governmental Activities							
General Government	\$ 168,718	\$ 33,576	\$ -	\$ -	\$ (135,142)	\$ -	\$ (135,142)
Public Safety	347,685	39,780	-	-	(307,905)	-	(307,905)
Highways and Streets	344,515	-	73,510	-	(271,005)	-	(271,005)
Health and Welfare	10,222	5,200	-	-	(5,022)	-	(5,022)
Culture and Recreation	16,313	-	16,014	-	(299)	-	(299)
Interest Expense	13,350	-	-	-	(13,350)	-	(13,350)
Total Governmental Activities	<u>900,803</u>	<u>78,556</u>	<u>89,524</u>	<u>-</u>	<u>(732,723)</u>	<u>-</u>	<u>(732,723)</u>
Business-Type Activities							
Water	422,049	429,259	-	100,000	-	107,210	107,210
Sewer	271,816	445,107	-	50,696	-	223,987	223,987
Total Business-Type Activities	<u>693,865</u>	<u>874,366</u>	<u>-</u>	<u>150,696</u>	<u>-</u>	<u>331,197</u>	<u>331,197</u>
Total Primary Government	<u>\$ 1,594,668</u>	<u>\$ 952,922</u>	<u>\$ 89,524</u>	<u>\$ 150,696</u>	<u>(732,723)</u>	<u>331,197</u>	<u>(401,526)</u>
General Revenues:							
Taxes:							
General Property Taxes - Net					115,155	-	115,155
Sales Taxes					648,367	-	648,367
Franchise Taxes					52,872	-	52,872
Other Taxes					17,963	-	17,963
Interest on Investments					10,785	16,553	27,338
Miscellaneous					19,133	-	19,133
Total General Revenues					<u>864,275</u>	<u>16,553</u>	<u>880,828</u>
Change in Net Position					131,552	347,750	479,302
Net Position - Beginning					<u>3,450,800</u>	<u>3,151,574</u>	<u>6,602,374</u>
Net Position - Ending					<u>\$ 3,582,352</u>	<u>\$ 3,499,324</u>	<u>\$ 7,081,676</u>

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

TOWN OF DEL NORTE
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2017

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,291,446	\$ 764,990	\$ 214,250	\$ 2,270,686
Accounts Receivable	5,759	-	-	5,759
Due from Other Governments	58,648	46,271	-	104,919
Property Taxes Receivable	108,715	-	-	108,715
Other Assets	-	-	555	555
TOTAL ASSETS	<u>\$ 1,464,568</u>	<u>\$ 811,261</u>	<u>\$ 214,805</u>	<u>\$ 2,490,634</u>
LIABILITIES				
Accounts Payable	\$ 2,485	\$ 13,430	\$ -	\$ 15,915
TOTAL LIABILITIES	<u>2,485</u>	<u>13,430</u>	<u>-</u>	<u>15,915</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	<u>108,715</u>	<u>-</u>	<u>-</u>	<u>108,715</u>
FUND BALANCE				
Restricted:				
TABOR	28,735	-	-	28,735
Debt Service	-	-	102,069	102,069
Committed:				
Capital Improvements	-	797,831	-	797,831
Culture and Recreation	-	-	112,736	112,736
Assigned:				
Subsequent Years	58,449	-	-	58,449
Unassigned	<u>1,266,184</u>	<u>-</u>	<u>-</u>	<u>1,266,184</u>
TOTAL FUND BALANCE	<u>1,353,368</u>	<u>797,831</u>	<u>214,805</u>	<u>2,366,004</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND FUND BALANCE	<u>\$ 1,464,568</u>	<u>\$ 811,261</u>	<u>\$ 214,805</u>	<u>\$ 2,490,634</u>

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

TOWN OF DEL NORTE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total Governmental Fund Balances			\$	2,366,004
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.				1,430,973
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.				
Revenue Bonds		\$	(180,000)	
Compensated Absences			(34,625)	
				<u>(214,625)</u>
Net Position of Governmental Activities			\$	<u><u>3,582,352</u></u>

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

TOWN OF DEL NORTE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 532,394	\$ 248,613	\$ 53,350	\$ 834,357
Licenses and Permits	2,773	-	-	2,773
Intergovernmental Revenue	73,510	-	16,014	89,524
Charges for Services	29,969	-	-	29,969
Fines and Forfeits	39,780	-	-	39,780
Interest on Accounts	6,975	3,146	664	10,785
Miscellaneous Revenue	25,167	-	-	25,167
TOTAL REVENUES	710,568	251,759	70,028	1,032,355
EXPENDITURES				
General Government	152,999	-	-	152,999
Public Safety	339,141	-	-	339,141
Highways and Streets	145,755	53,190	-	198,945
Health and Welfare	4,634	-	-	4,634
Culture and Recreation	7,611	-	7,508	15,119
Debt Service	-	-	53,350	53,350
Capital Outlay	-	156,740	-	156,740
TOTAL EXPENDITURES	650,140	209,930	60,858	920,928
Change in Fund Balances	60,428	41,829	9,170	111,427
Fund Balance at Beginning of Year	1,292,940	756,002	205,635	2,254,577
Fund Balance at End of Year	\$ 1,353,368	\$ 797,831	\$ 214,805	\$ 2,366,004

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

TOWN OF DEL NORTE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Changes in Fund Balances - Total Governmental Funds	\$ 111,427
--	------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlay and depreciation in the current period.

Fixed asset additions	\$	69,656	
Depreciation expense		(89,531)	(19,875)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayment of principal includes:

Revenue bond payment		40,000	
Change in Net Position of Governmental Activities		\$ 131,552	

TOWN OF DEL NORTE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 643,524	\$ 538,837	\$ 1,182,361
Accounts Receivable	52,813	73,598	126,411
Due from Other Governments	63,320	-	63,320
Inventories	54,993	7,176	62,169
Total Current Assets	<u>814,650</u>	<u>619,611</u>	<u>1,434,261</u>
Capital Assets			
Construction in Progress	-	414,984	414,984
Utility System	2,213,098	1,049,474	3,262,572
Machinery and Equipment	325,733	147,205	472,938
Infrastructure	1,120,794	-	1,120,794
Less: Accumulated Depreciation	(1,856,775)	(703,392)	(2,560,167)
Total Capital Assets	<u>1,802,850</u>	<u>908,271</u>	<u>2,711,121</u>
TOTAL ASSETS	<u>2,617,500</u>	<u>1,527,882</u>	<u>4,145,382</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	4,149	14,765	18,914
CDPHE Settlement Payable	-	105,000	105,000
Notes Payable	36,236	9,399	45,635
Total Current Liabilities	<u>40,385</u>	<u>129,164</u>	<u>169,549</u>
Noncurrent Liabilities			
Compensated Absences	8,328	7,350	15,678
Notes Payable	380,473	80,358	460,831
Total Noncurrent Liabilities	<u>388,801</u>	<u>87,708</u>	<u>476,509</u>
TOTAL LIABILITIES	<u>429,186</u>	<u>216,872</u>	<u>646,058</u>
NET POSITION			
Net Investment in Capital Assets	1,386,141	818,514	2,204,655
Unrestricted	802,173	492,496	1,294,669
TOTAL NET POSITION	<u>\$ 2,188,314</u>	<u>\$ 1,311,010</u>	<u>\$ 3,499,324</u>

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

TOWN OF DEL NORTE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for Services			
Service Charges	\$ 428,595	\$ 445,107	\$ 873,702
Miscellaneous Revenue	664	-	664
Total Operating Revenues	<u>429,259</u>	<u>445,107</u>	<u>874,366</u>
OPERATING EXPENSES			
Salaries	98,351	86,229	184,580
Benefits	35,245	26,107	61,352
Supplies	28,649	5,518	34,167
Engineering Services	33,714	42,197	75,911
Utilities, Gas and Oil	52,756	34,128	86,884
Equipment Repairs & Maintenance	28,361	17,389	45,750
Insurance and Bonds	17,888	15,298	33,186
Administration - Police Department	19,755	-	19,755
Miscellaneous	871	471	1,342
Depreciation	106,459	39,544	146,003
Total Operating Expenses	<u>422,049</u>	<u>266,881</u>	<u>688,930</u>
Operating Income (Loss)	<u>7,210</u>	<u>178,226</u>	<u>185,436</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on Accounts	14,673	1,880	16,553
Grant Revenue	100,000	50,696	150,696
Interest Expense	-	(4,935)	(4,935)
Total Nonoperating Revenues (Expenses)	<u>114,673</u>	<u>47,641</u>	<u>162,314</u>
Net Income (Loss)	121,883	225,867	347,750
Net Position at Beginning of Year	<u>2,066,431</u>	<u>1,085,143</u>	<u>3,151,574</u>
Net Position at End of Year	<u><u>\$ 2,188,314</u></u>	<u><u>\$ 1,311,010</u></u>	<u><u>\$ 3,499,324</u></u>

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

TOWN OF DEL NORTE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 428,464	\$ 452,398	\$ 880,862
Cash Payments to Suppliers for Goods and Services	(176,964)	(123,348)	(300,312)
Cash Payments to Employees	(98,351)	(86,229)	(184,580)
Cash Payments for Employee Benefits and Taxes	(35,245)	(26,107)	(61,352)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>117,904</u>	<u>216,714</u>	<u>334,618</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Fixed Assets	(591,682)	(270,886)	(862,568)
Grant Proceeds	36,680	50,696	87,376
Interest Paid on Notes and Bonds	-	(4,935)	(4,935)
Principal Paid on Notes and Bonds	(36,236)	(8,952)	(45,188)
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(591,238)</u>	<u>(234,077)</u>	<u>(825,315)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	14,673	1,880	16,553
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>14,673</u>	<u>1,880</u>	<u>16,553</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(458,661)	(15,483)	(474,144)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,102,185</u>	<u>554,320</u>	<u>1,656,505</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 643,524</u></u>	<u><u>\$ 538,837</u></u>	<u><u>\$ 1,182,361</u></u>
OPERATING INCOME (LOSS)	\$ 7,210	\$ 178,226	\$ 185,436
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	106,459	39,544	146,003
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(795)	7,291	6,496
(Increase) Decrease in Inventory	11,558	-	11,558
Increase (Decrease) in Accounts Payable	(6,528)	(8,347)	(14,875)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 117,904</u></u>	<u><u>\$ 216,714</u></u>	<u><u>\$ 334,618</u></u>

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

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town of Del Norte, (the Town), reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The Town of Del Norte was originally incorporated on December 14, 1873, and became a statutory Town under State Statute (CRS 31-1-101) on July 3, 1877. The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, insect control, culture and recreation, planning and zoning, water and sewer systems, and general administrative services.

Component Units

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town
- The organization is financially accountable to the Town
- The organization receives or holds funds that are for the benefit of the Town; and the Town has access to a majority of the funds held; and the funds that are accessible are also significant to the Town

Based on the aforementioned criteria, the Town does not have any component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the Town, except for Town fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

- The **General Fund** is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Improvement Fund** is used for the aggregation of monies for future capital purchases. Sources of revenue are derived from transfers from other funds and sales taxes assigned for capital improvements.

The Town reports the following major enterprise funds:

- The **Water Fund** is used to account for user charges and expenses for operating, financing, and maintaining the Town's water system.
- The **Sewer Fund** is used to account for user charges and expenses for operating, financing, and maintaining the Town's sewer system.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Investments

The Town's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with a maturity of three months or less from the date of acquisition. All investments, if any, are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The Town's property taxes are collected by the County Treasurer who remits monthly receipts to the Town. Property tax revenue is recognized by the Town to the extent it results in a current receivable.

The 2017 property tax levy due January 1, 2018, has been recorded in the financial statements as a receivable and corresponding deferred inflows of resources in the financial statements.

Inventory

Inventories held by all funds, except the Water and Sewer Funds, have been recorded as expenditures at the time of purchase. Water and Sewer Fund inventories are stated at the lower of cost or market value.

Capital Assets

Capital Assets, which include land and improvements, buildings and improvements, infrastructure, equipment, vehicles, and construction in progress, are reported in the governmental and business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and life of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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

Assets	Years
Buildings and Improvements	5-50
Equipment	3-15
Infrastructure	10-20
Vehicles	5-10

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town.

Compensated Absences

The Town employees may earn and accumulate unused vacation and overtime benefits. All vacation and overtime pay is accrued when incurred in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

Unearned Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Inflows of Resources

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

Interest Capitalization

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest was capitalized in the current period.

Encumbrances

The Town records purchase orders in the accounting system upon approval of administration. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

Fund Balance

Fund balances are reported based on the extent to which the Town is bound to honor constraints for the specific purpose on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid insurance.
- *Restricted Fund Balance* – restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Trustees through ordinance or resolution, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Town Board of Trustees or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to fiscal year 2016 financial statements in order to conform to the fiscal year 2017 financial statement presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Town of Del Norte follows the procedures set forth in the Colorado Local Government Budget Law when preparing the annual budget for each fund. Budget procedures include:

- Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- Publication of a notice stating that the budget is available for public inspection.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

- Discussion of the budget in a meeting open to the public.
- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.
- Ordinance to adopt supplemental appropriations.

Formal budgetary integration is employed as a management control device for all funds of the Town. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP), except for the Water and Sewer funds.

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Town did adopt supplemental appropriations during 2017. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget.

Stewardship

Expenditures in the Water Fund exceeded appropriations during 2017 by \$52,553. This may be a violation of Colorado Revised State Statutes.

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

At December 31, 2017 cash, deposits, and investments consisted of the following:

Cash on Hand	\$ 740
Cash in Banks	2,297,182
Investment in ColoTrust	1,155,125
	<u>\$ 3,453,047</u>

CASH AND DEPOSITS

Colorado State Statutes govern the Town's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 102% of the aggregate uninsured deposits. All deposits in 2017 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At December 31, 2017, \$1,685,356 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

INVESTMENTS

The Town's investments are subject to interest rate risk, credit risk, and concentration of credit risk. The types of investments which are authorized to be made with Town funds are controlled by state statute and the investment policies of the Town. Colorado statutes and the Town's investment policies specify investment instruments meeting defined rating and risk criteria in which the Town may invest:

- Obligations of the United States and certain U.S. government agency securities

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

- 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
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

Credit Risk

The Town's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The Town's investment policy allows for the Town to invest in local government investment pools. As of December 31, 2017, the local government investment pool (COLOTRUST) in which the Town had invested, was rated AAAM by Standard and Poor's.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates. The Town has no investments with maturities past five years.

The Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes, and note strips and repurchase agreements collateralized by U.S. Treasury Notes.

Investments in local government investment pools or money market funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2017, the Town had \$168,239 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land and Land Improvements	\$ 498,356	\$ -	\$ -	\$ 498,356
Construction In Progress	102,855	-	-	102,855
Total capital assets not being depreciated	<u>601,211</u>	<u>-</u>	<u>-</u>	<u>601,211</u>
Capital assets being depreciated				
Buildings and Improvements	1,013,230	-	-	1,013,230
Infrastructure	338,830	32,663	-	371,493
Machinery and Equipment	586,897	-	35,233	551,664
Vehicles	341,489	36,993	65,019	313,463
Total capital assets being depreciated	<u>2,280,446</u>	<u>69,656</u>	<u>100,252</u>	<u>2,249,850</u>
Less accumulated depreciation for:				
Buildings and Improvements	440,244	25,155	-	465,399
Infrastructure	181,341	26,792	-	208,133
Machinery and Equipment	484,632	30,985	35,233	480,384
Vehicles	324,592	6,599	65,019	266,172
Total accumulated depreciation	<u>1,430,809</u>	<u>89,531</u>	<u>100,252</u>	<u>1,420,088</u>
Total capital assets being depreciated, net	<u>849,637</u>	<u>(19,875)</u>	<u>-</u>	<u>829,762</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 1,450,848</u></u>	<u><u>\$ (19,875)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,430,973</u></u>
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Construction in Progress	\$ 186,060	\$ 259,136	\$ 30,212	\$ 414,984
Total capital assets not being depreciated	<u>186,060</u>	<u>259,136</u>	<u>30,212</u>	<u>414,984</u>
Capital assets being depreciated				
Property, Plant and Equipment	4,223,784	633,644	1,124	4,856,304
Accumulated Depreciation	(2,415,288)	(146,003)	(1,124)	(2,560,167)
Total capital assets being depreciated, net	<u>1,808,496</u>	<u>487,641</u>	<u>-</u>	<u>2,296,137</u>
Business-type Capital Assets, Net	<u><u>\$ 1,994,556</u></u>	<u><u>\$ 746,777</u></u>	<u><u>\$ 30,212</u></u>	<u><u>\$ 2,711,121</u></u>

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

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

Governmental Activities

General Government	\$ 15,719
Public Safety	5,077
Highways and Streets	61,953
Health and Welfare	5,588
Culture and Recreation	1,194
Total depreciation expense – governmental activities	<u>\$ 89,531</u>

Business-type Activities

Water Services	\$ 106,459
Sewer Services	39,544
Total depreciation expense – business-type activities	<u>\$ 146,003</u>

NOTE 6 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017	Due Within One Year
<i>Governmental Activities</i>					
2001 Sales Tax Revenue Bonds	\$ 220,000	\$ -	\$ 40,000	\$ 180,000	\$ 40,000
Compensated Absences	34,625	-	-	34,625	-
Governmental Activities Total	<u>\$ 254,625</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 214,625</u>	<u>\$ 40,000</u>
<i>Business-type Activities</i>					
Notes Payable					
DOLA Loan	\$ 98,709	\$ -	\$ 8,952	\$ 89,757	\$ 9,399
CWRPDA Loan	452,945	-	36,236	416,709	36,236
Compensated Absences	15,678	-	-	15,678	-
Business-type Activities Total	<u>\$ 567,332</u>	<u>\$ -</u>	<u>\$ 45,188</u>	<u>\$ 522,144</u>	<u>\$ 45,635</u>

Governmental Activities

Sales Tax Revenue Bonds –2001

The sales tax revenue bonds series 2001, dated April 15, 2001, were issued in the amount of \$570,000. Bonds are due in varying principal amounts through October 2021. Interest is paid semi-annually at rates varying from 5.25% to 6.00%. Principal and interest payments are to be paid from Town sales tax revenue deposited in the Debt Service Fund. Proceeds were used for the constructing and improving of a storm drainage system.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

The annual debt service for the 2001 bonds is as follows:

	Principal October 15	Interest April 15	Interest October 15	Total
2018	\$ 40,000	\$ 5,400	\$ 5,400	\$ 50,800
2019	45,000	4,200	4,200	53,400
2020	45,000	2,850	2,850	50,700
2021	50,000	1,500	1,500	53,000
	<u>\$ 180,000</u>	<u>\$ 13,950</u>	<u>\$ 13,950</u>	<u>\$ 207,900</u>

Business-type Activities

Notes Payable

The Sewer Fund has a note payable to the State of Colorado Department of Local Affairs as a part of the Energy and Mineral Impact Grant for the Del Norte Wastewater Plant Improvements, with an interest rate of 5.0%, and payable in annual payments of \$13,887. The final payment is due in 2025.

The annual debt service for the note payable is as follows:

	Principal	Interest	Total
2018	\$ 9,399	\$ 4,488	\$ 13,887
2019	9,869	4,018	13,887
2020	10,363	3,524	13,887
2021	10,881	3,006	13,887
2022	11,425	2,462	13,887
2023-2025	37,820	3,843	41,663
	<u>\$ 89,757</u>	<u>\$ 21,341</u>	<u>\$ 111,098</u>

On December 31, 2009, the Colorado Water Resources and Power Development Authority loaned the Town \$934,000 at an interest rate of 0.0% annually. This loan was obtained for installation of water meters and replacing service lines. During 2011, the project was completed and the Town had not drawn down the full balance of the loan. The principal balance was adjusted by the Colorado Water Resources and Power Development Authority to \$745,642, the amount of total draws. The note is to be repaid in semi-annual installments of \$18,118 for a period of 20 years. The initial payment was due November 1, 2009, and the final payment is due May 1, 2029. The loan is secured with "net revenue" from the water enterprise fund pledged to repay the loan.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

The annual debt service for the note payable is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 36,236	\$ -	\$ 36,236
2019	36,236	-	36,236
2020	36,236	-	36,236
2021	36,236	-	36,236
2022	36,236	-	36,236
2023-2027	181,179	-	181,179
2028-2029	54,350	-	54,350
	<u>\$ 416,709</u>	<u>\$ -</u>	<u>\$ 416,709</u>

On February 10, 2016, the Town entered into a loan with the United States Department of Agriculture (USDA), in the amount of \$4,479,000 with an interest rate of 0.0% annually to complete the wastewater capital improvement project. As of December 31, 2017 the Town had not drawn on this loan.

NOTE 7 DEFINED CONTRIBUTION PENSION PLANS

Profit-Sharing Plan

The Town contributes to the Town of Del Norte Profit Sharing Plan (the Plan), a defined contribution plan for all employees, except sworn police officers. The Plan is administered by the Town of Del Norte and investment funds are managed by Pension Management Associates, Inc. The Plan permits participant self-direction on all accounts. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town Board of Trustees. For each employee in the pension plan, the Town is required to contribute four percent of compensation to an individual employee account. Employees are not permitted to make contributions to the Plan. For the year ended December 31, 2017, the Town recognized pension expense of \$17,183

Employees become vested in Town contributions and earnings beginning in year two of a seven year vesting schedule. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2017, forfeitures reduced the Town's pension expense by \$0.

Police Money Purchase Pension Plan

The Town contributes to the Town of Del Norte Police Department Money Purchase Plan (the Plan), a defined contribution plan for all sworn police officers of the Town. The Plan is administered by the Town of Del Norte and investment funds are managed by Pension Management Associates, Inc. The Plan permits participant self-direction on all accounts. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town Board of Trustees. For each employee in the pension plan, the Town is required to contribute eight percent of compensation to an individual employee account. Employees are required to contribute eight percent of

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

compensation to the Plan. For the year ended December 31, 2017, employee contributions totaled \$11,429 and the Town recognized pension expense of \$11,429.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings beginning in year two of a seven year vesting schedule. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2017, forfeitures reduced the Town's pension expense by \$0.

NOTE 8 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the Town of Del Norte and investment funds are managed by Security Benefit, Inc. The plan, available to all Town employees, upon hire, permits them to defer a portion of their salary until future years. During the year ended December 31, 2017, the employees contributed \$3,750. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies.

The Town has no other liability other than to make the required monthly contribution.

NOTE 9 TABOR EMERGENCY RESERVE

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. The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment.

On April 4, 2000, the voters of Del Norte passed a ballot issue to permit the Town of Del Norte "in 1999 and each subsequent year thereafter, to retain and spend Town revenues in excess of the spending, revenue raising, or other limits in Article X, Section 20, of the Colorado constitution, utilizing such revenues for public safety, municipal services, transportation and other public improvements, parks and recreational facilities, and any other lawful purpose as voter-approved revenue change".

The amendment also requires that emergency reserves be established. These reserves must be at least 3 percent of fiscal year spending in 1995 and thereafter. This emergency reserve has been presented as a restricted fund balance in General Fund and restricted net position in the government-wide financial statements. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Grant Programs

The Town participates in a number of state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time although the Town expects any such amounts to be immaterial.

TOWN OF DEL NORTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

CDPHE Settlement

On September 17, 2015 the Town was issued a letter reporting the findings of a sanitary survey of its wastewater collection system conducted on August 18, 2015. During the survey two “significant deficiencies” were documented. The Town was assessed a penalty by the Colorado Department of Public Health and Environment in the amount of \$105,000. This amount has been recorded as accounts payable and will be paid during 2018.

Construction Projects

On March 9, 2016 the Town entered into a grant agreement with the State of Colorado Department of Local Affairs for \$2,000,000, a USDA loan of \$4,475,000, and USDA Grant for \$2,792,796 for the purpose of improving the Town’s wastewater collection system. The Town has spent \$414,984 as of December 31, 2017 towards the project and is expecting to finish in 2020 with a total cost of \$9,271,796.

TOWN OF DEL NORTE

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the Town's major special revenue funds.

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 517,033	\$ 517,033	\$ 532,394	\$ 15,361
Licenses and Permits	2,770	2,770	2,773	3
Intergovernmental Revenue				
Highway Users Tax	60,459	60,459	59,613	(846)
Additional Motor Vehicle Fees	7,000	7,000	7,189	189
County Road and Bridge Fund	8,200	8,200	6,708	(1,492)
Charges for Services	29,995	29,995	29,969	(26)
Fines and Forfeits	66,500	66,500	39,780	(26,720)
Interest on Accounts	3,300	3,300	6,975	3,675
Miscellaneous Revenue	8,404	8,404	25,167	16,763
TOTAL REVENUE	703,661	703,661	710,568	6,907
EXPENDITURES				
General Government	205,884	205,884	152,999	52,885
Public Safety	376,399	376,399	339,141	37,258
Highways and Streets	157,346	157,346	145,755	11,591
Health and Welfare	6,300	6,300	4,634	1,666
Culture and Recreation	19,775	19,775	7,611	12,164
TOTAL EXPENDITURES	765,704	765,704	650,140	115,564
Change in Fund Balance	(62,043)	(62,043)	60,428	(108,657)
Fund Balance at Beginning of Year	1,209,945	1,209,945	1,292,940	82,995
Fund Balance at End of Year	\$ 1,147,902	\$ 1,147,902	\$ 1,353,368	\$ (25,662)

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

TOWN OF DEL NORTE

OTHER SUPPLEMENTARY INFORMATION

The combining financial statements represent the second level of financial reporting for the Town. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

TOWN OF DEL NORTE
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Conservation Trust Fund – This fund is used to account for the Town's share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks, and other public recreational facilities.

DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest.

Debt Service Fund – This fund is used to make payments on the Town's sales tax revenue bonds. Revenue is from taxes collected by the Town for this specific purpose.

TOWN OF DEL NORTE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2017

	Special Revenue Fund		
	CONSERVATION TRUST FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL
ASSETS			
Cash and Cash Equivalents	\$ 112,181	\$ 102,069	\$ 214,250
Other Assets	555	-	555
TOTAL ASSETS	<u>\$ 112,736</u>	<u>\$ 102,069</u>	<u>\$ 214,805</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted for:			
Debt Service	-	102,069	102,069
Committed:			
Culture and Recreation	112,736	-	112,736
TOTAL FUND BALANCE	<u>112,736</u>	<u>102,069</u>	<u>214,805</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 112,736</u>	<u>\$ 102,069</u>	<u>\$ 214,805</u>

TOWN OF DEL NORTE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	Special Revenue Fund <u>CONSERVATION</u> <u>TRUST</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u> <u>NONMAJOR</u> <u>GOVERNMENTAL</u>
REVENUES			
Taxes	\$ -	\$ 53,350	\$ 53,350
Intergovernmental Revenue	16,014	-	16,014
Interest on Accounts	664	-	664
TOTAL REVENUES	<u>16,678</u>	<u>53,350</u>	<u>70,028</u>
EXPENDITURES			
Culture and Recreation	7,508	-	7,508
Debt Service	-	53,350	53,350
TOTAL EXPENDITURES	<u>7,508</u>	<u>53,350</u>	<u>60,858</u>
Change in Fund Balances	9,170	-	9,170
Fund Balance at Beginning of Year	<u>103,566</u>	<u>102,069</u>	<u>205,635</u>
Fund Balance at End of Year	<u>\$ 112,736</u>	<u>\$ 102,069</u>	<u>\$ 214,805</u>

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 241,000	\$ 241,000	\$ 248,613	\$ 7,613
Interest on Accounts	1,660	1,660	3,146	1,486
TOTAL REVENUES	<u>242,660</u>	<u>242,660</u>	<u>251,759</u>	<u>9,099</u>
EXPENDITURES				
Highways and Streets	33,050	78,050	53,190	24,860
Capital Outlay	209,610	209,610	156,740	52,870
TOTAL EXPENDITURES	<u>242,660</u>	<u>287,660</u>	<u>209,930</u>	<u>77,730</u>
Change in Fund Balance	-	(45,000)	41,829	(68,631)
Fund Balance at Beginning of Year	<u>721,437</u>	<u>721,437</u>	<u>756,002</u>	<u>34,565</u>
Fund Balance at End of Year	<u><u>\$ 721,437</u></u>	<u><u>\$ 676,437</u></u>	<u><u>\$ 797,831</u></u>	<u><u>\$ (34,066)</u></u>

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenue				
Lottery Proceeds	\$ 16,500	\$ 16,500	\$ 16,014	\$ (486)
Interest on Accounts	360	360	664	304
TOTAL REVENUES	16,860	16,860	16,678	(182)
EXPENDITURES				
Culture and Recreation	23,260	23,260	7,508	15,752
Capital Outlay	4,250	4,250	-	4,250
TOTAL EXPENDITURES	27,510	27,510	7,508	20,002
Change in Fund Balance	(10,650)	(10,650)	9,170	(20,184)
Fund Balance at Beginning of Year	91,570	91,570	103,566	11,996
Fund Balance at End of Year	\$ 80,920	\$ 80,920	\$ 112,736	\$ 31,816

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Sales Tax	\$ 53,350	\$ 53,350	\$ 53,350	\$ -
TOTAL REVENUES	53,350	53,350	53,350	-
EXPENDITURES				
Debt Service				
Debt Service Principal	40,000	40,000	40,000	-
Debt Service Interest	13,200	13,200	13,200	-
Trustee Fees	150	150	150	-
Total Debt Service	53,350	53,350	53,350	-
TOTAL EXPENDITURES	53,350	53,350	53,350	-
Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	102,069	102,069	102,069	-
Fund Balance at End of Year	\$ 102,069	\$ 102,069	\$ 102,069	\$ -

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
WATER FUND

For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUES				
Charges for Services				
Service Charges	\$ 412,582	\$ 412,582	\$ 428,595	\$ 16,013
Miscellaneous Revenue	2,860	2,860	664	(2,196)
Total Operating Revenues	<u>415,442</u>	<u>415,442</u>	<u>429,259</u>	<u>13,817</u>
OPERATING EXPENSES				
Salaries	99,440	99,440	98,351	1,089
Benefits	37,417	37,417	35,245	2,172
Operating Supplies	18,500	18,500	28,649	(10,149)
Other Professional Services	35,000	35,000	33,714	1,286
Utilities, Gas and Oil	50,111	50,111	52,756	(2,645)
Equipment Repairs & Maintenance	44,000	44,000	28,361	15,639
Insurance and Bonds	17,550	17,550	17,888	(338)
Administration - Police Department	17,365	17,365	19,755	(2,390)
Miscellaneous	3,425	3,425	871	2,554
Capital Outlay	200,000	545,500	591,682	(46,182)
Depreciation	92,870	92,870	106,459	(13,589)
Total Operating Expenses	<u>615,678</u>	<u>961,178</u>	<u>1,013,731</u>	<u>(52,553)</u>
Operating Income (Loss)	<u>(200,236)</u>	<u>(545,736)</u>	<u>(584,472)</u>	<u>(38,736)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest on Accounts	10,700	10,700	14,673	3,973
Grant Revenue	105,000	105,000	100,000	(5,000)
Debt Payments	(36,236)	(36,236)	(36,236)	-
Total Nonoperating Revenues (Expenses)	<u>79,464</u>	<u>79,464</u>	<u>78,437</u>	<u>(1,027)</u>
Net Income - Budget Basis	(120,772)	(466,272)	(506,035)	<u>\$ (39,763)</u>
Add: Capital Outlay			591,682	
Add: Principal Payment on Debt			36,236	
Change in Net Position			121,883	
Net Position at Beginning of Year	<u>1,848,810</u>	<u>1,848,810</u>	<u>2,066,431</u>	
Net Position at End of Year	<u>\$ 1,728,038</u>	<u>\$ 1,382,538</u>	<u>\$ 2,188,314</u>	

TOWN OF DEL NORTE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
SEWER FUND

For the Year Ended December 31, 2017

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUES				
Charges for Services				
Service Charges	\$ 446,000	\$ 446,000	\$ 445,107	\$ (893)
Miscellaneous Revenue	50	50	-	(50)
Total Operating Revenues	<u>446,050</u>	<u>446,050</u>	<u>445,107</u>	<u>(943)</u>
OPERATING EXPENSES				
Salaries	87,180	87,180	86,229	951
Benefits	26,538	26,538	26,107	431
Operating Supplies	10,600	10,600	5,518	5,082
Professional Services	32,134	32,134	42,197	(10,063)
Utilities, Gas and Oil	37,000	37,000	34,128	2,872
Equipment Repairs and Maintenance	27,900	27,900	17,389	10,511
Insurance and Bonds	16,500	16,500	15,298	1,202
Miscellaneous	2,350	2,350	471	1,879
Depreciation	49,766	49,766	39,544	10,222
Capital Outlay	9,260,624	9,260,624	270,886	8,989,738
Reserve/Contingency	143,395	143,395	-	143,395
Total Operating Expenses	<u>9,693,987</u>	<u>9,693,987</u>	<u>537,767</u>	<u>9,156,220</u>
Operating Income (Loss)	<u>(9,247,937)</u>	<u>(9,247,937)</u>	<u>(92,660)</u>	<u>9,155,277</u>
NONOPERATING REVENUES (EXPENSES)				
Interest on Accounts	1,200	1,200	1,880	680
Grant Revenue	9,260,624	9,260,624	50,696	(9,209,928)
Debt Payments	(13,887)	(13,887)	(13,887)	-
Total Nonoperating Revenues (Expenses)	<u>9,247,937</u>	<u>9,247,937</u>	<u>38,689</u>	<u>(9,209,248)</u>
Net Income - Budget Basis	-	-	(53,971)	<u>\$ (53,971)</u>
Add: Capital Outlay			270,886	
Add: Principal Payment on Debt			8,952	
Change in Net Position			225,867	
Net Position at Beginning of Year	<u>1,056,732</u>	<u>1,056,732</u>	<u>1,085,143</u>	
Net Position at End of Year	<u>\$ 1,056,732</u>	<u>\$ 1,056,732</u>	<u>\$ 1,311,010</u>	

TOWN OF DEL NORTE
OTHER SCHEDULES AND REPORTS

LOCAL HIGHWAY FINANCE REPORT

City or County: Town of Del Norte
Rio Grande County

YEAR ENDING :
December 2017

This Information From The Records Of Town of Del Norte:

Prepared By: Ramona Dordan
Phone: 719-657-2708

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	321,673
4. Miscellaneous local receipts (from page 2)	0
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	321,673
B. Private Contributions	
C. Receipts from State government (from page 2)	73,510
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	395,183

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	114,047
2. Maintenance:	35,195
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	
c. Other	25,243
d. Total (a. through c.)	25,243
4. General administration & miscellaneous	85,315
5. Highway law enforcement and safety	135,383
6. Total (1 through 5)	395,183
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	395,183

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
		395,183	395,183		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2017

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	321,673	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	321,673	h. Other	
c. Total (a. + b.)	321,673	i. Total (a. through h.)	0
(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	59,613	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	7,189	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) Road&Bridge	6,708	f. Other Federal	
f. Total (a. through e.)	13,897	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	73,510	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
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		32,663	32,663
(3). System Preservation		81,384	81,384
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	114,047	114,047
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	114,047	114,047
			(Carry forward to page 1)

Notes and Comments:

New Paving 6th Street
Overlay of Cedar St
Asphal Patching -various locations