



Town of Wellington, Colorado

Financial Statements and Supplementary Information

For the Year Ended December 31, 2017

Town of Wellington

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Independent Auditor's Report

Honorable Mayor and Members of the Town Board of Trustees
Town of Wellington, 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 Wellington, Colorado (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.

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. 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 basic 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 Wellington, Colorado as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the budgetary comparison information on pages 47 and 48 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 supplementary 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 budgetary comparison information on pages 49 through 53 and the Local Highway Finance Report on pages 54 and 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
July 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Wellington, we offer readers of the Town of Wellington's financial statements this narrative overview and analysis of the financial activities of the Town of Wellington for the fiscal year ended December 31, 2017. Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the Basic Financial Statements, Notes to the Basic Financial Statements and Supplementary Information.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Wellington exceeded its liabilities and deferred inflows at the close of 2017 by \$84,109,079. Of this amount, \$31,391,613 may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$5,388,652 from the prior year. Net investment in *Capital assets* increased by \$755,160. *Non-capital assets* increased by \$3,859,533.
- At the end of calendar year 2017, unassigned fund balance for the general fund was \$3,948,617, about 132 percent of total general fund expenditures of \$2,992,181.
- The Town retired \$716,929 of its debt (about 9 percent of the outstanding debt at January 1, 2017) excluding compensatory absences computations during the fiscal year. The key factor in this decrease was the semi-annual and annual principal payments made on the Town's outstanding debts shown in Footnote 6, pages 41 and 42 of this report. The Town did *not* increase outstanding debt during 2017, excluding compensatory absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Wellington's basic financial statements. The Town of Wellington's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information that supports the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Wellington's finances. These statements are prepared in a manner similar to a private-sector business using the accrual basis of accounting and economic resources measurement focus.

The *Statement of Net Position* presents information on all the Town of Wellington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the categories reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Wellington is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town of Wellington's *net position* changed during the fiscal year. All changes in *net position* are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the Town of Wellington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the Town of Wellington include general government, public safety, public works, community development, culture, parks, and recreation. The business-type activities of the Town of Wellington include water, sewer and storm drainage operations.

The government-wide financial statements include only the Town of Wellington itself (known as the *primary government*).

The government-wide financial statements can be found on pages 16 to 18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wellington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Wellington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. These statements help one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds are described in reconciliations on page 20 and 22.

The basic governmental fund financial statements can be found on pages 19 to 22 of this report.

Proprietary funds. The Town of Wellington currently maintains one type of *proprietary fund*, called *enterprise funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Wellington uses *enterprise funds* to account for its sewer, water and storm drainage operations.

Business-type activities are reported providing the same type of information as the government-wide financial statements, only in more detail. The business-type financial statements provide separate information for sewer, water and storm drainage operations, which are major enterprise funds of the Town of Wellington.

The basic proprietary fund financial statements detailing the business-type activities can be found on pages 23 to 25 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the Town. *Fiduciary funds* are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Wellington's own programs. The accounting used for *fiduciary funds* is much like that used for *proprietary funds*. Additional information on the Town's Fiduciary Fund (Library Trust Fund) can be found on pages 26 and 27 of this report.

Notes to the financial statements. The notes provide significant additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 to 46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required and certain other supplementary information concerning the Town of Wellington's budget comparison statements for the General Fund, non-major Conservation Trust Fund and the Town's three major enterprise funds Water, Sewer and Storm Drainage. The other supplementary information can be found on pages 47 to 53 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellington, net position exceeded liabilities by \$84,109,079 at the close of 2017.

By far the largest portion of the Town of Wellington's net position (61 percent) reflects its investment in capital assets (e.g., land, buildings machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from *other sources*, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. Below is condensed financial information for fiscal year 2017 compared with 2016 totals.

Condensed Statement of Net Position

	2017		Totals	2016 Totals
	Governmental Activities	Business-Type Activities		
ASSETS				
Current assets	\$8,815,498	\$26,607,252	\$35,422,750	\$31,563,217
Capital assets	23,082,844	34,605,318	57,688,162	57,649,549
Total assets	31,898,342	61,212,570	93,110,912	89,212,766
LIABILITIES				
Current liabilities	553,714	813,941	1,367,655	2,316,235
Long-term liabilities	2,024,077	4,455,895	6,479,972	7,193,113
Total liabilities	2,577,791	5,269,836	7,847,627	9,509,348
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	1,067,223	86,983	1,154,206	982,991
NET POSITION				
Invested in capital assets, net of related debt	21,137,455	30,149,423	51,286,878	50,531,718
Restricted for:				
Emergencies	197,790	-	197,790	263,576
Other purposes	474,058	758,740	1,232,798	1,104,988
Unrestricted	6,444,205	24,947,588	31,391,613	26,820,145
Total net position	\$28,253,328	\$55,855,751	\$84,109,079	\$78,720,427

Exclusive of capital assets, the restricted portion (\$1,430,588) of net position (1.7 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$31,391,613) may be used to meet the Town's ongoing obligations to citizens and creditors.

The following focuses on changes in net position of the Town's governmental and business-type activities.

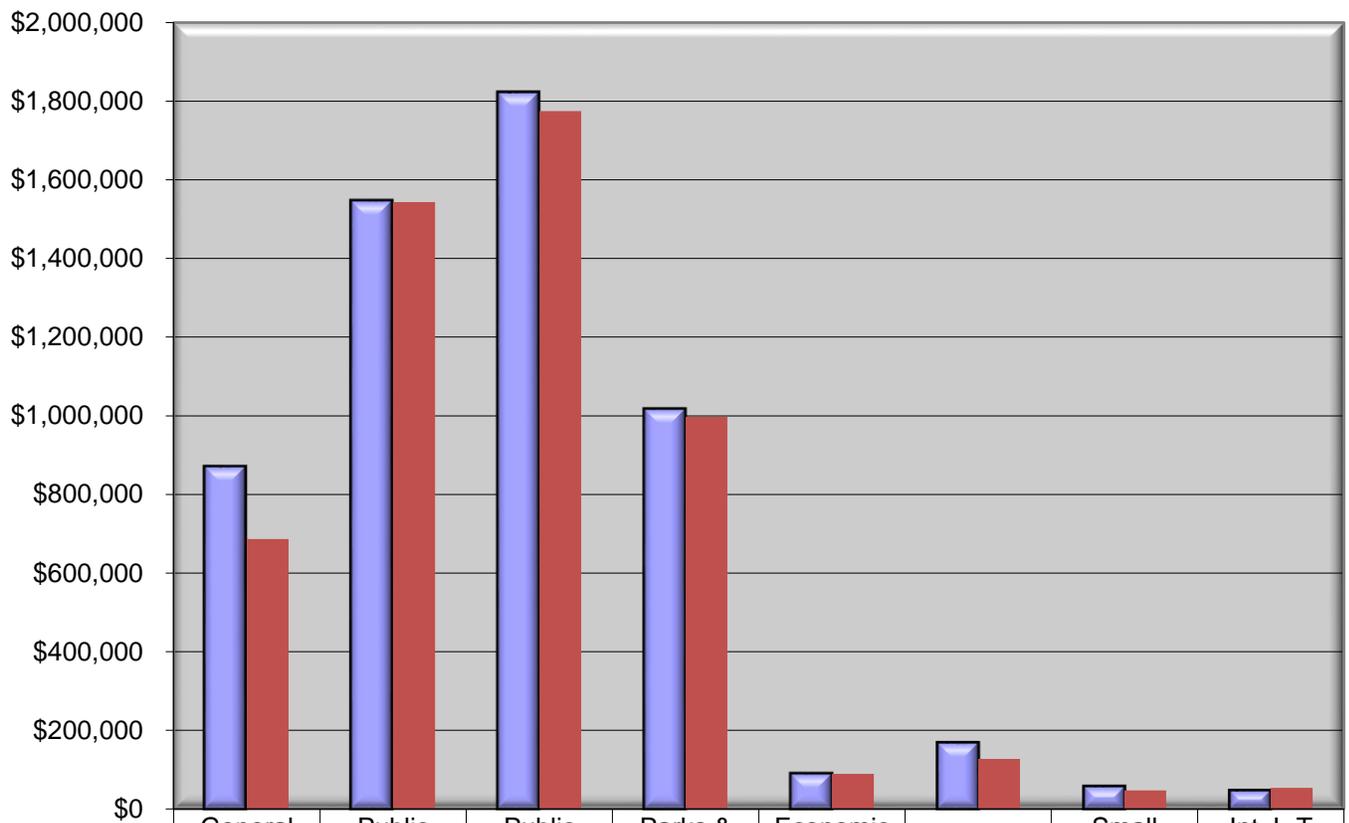
Condensed Statement of Activities

2017				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	<u>2016 Totals</u>
Revenues				
Program revenues				
Charges for services	\$802,953	\$3,868,494	\$4,671,447	\$4,419,084
Operating grants and contributions	75,430	-	75,430	79,654
Capital grants and contributions	467,069	4,654,102	5,121,171	10,652,997
General revenues				
Property taxes	883,130	87,779	970,909	945,422
Open space taxes	238,479	-	238,479	222,412
Sales and use taxes	2,037,311	-	2,037,311	1,937,760
Franchise fees	174,669	-	174,669	163,134
Highway users tax	242,535	-	242,535	227,382
Other taxes	1,012,306	-	1,012,306	1,281,819
Impact fees	675,196	283,561	958,757	1,318,827
Grants, undesignated	5,979	-	5,979	6,378
Earnings on investments	38,834	169,168	208,002	61,895
Other	15,045	1,245	16,290	178,764
Transfers	(385,125)	400,000	17,255	29,155
Total revenues & transfers	<u>6,283,811</u>	<u>9,464,349</u>	<u>15,748,160</u>	<u>21,524,683</u>
Expenses				
General government	871,272	-	871,272	686,762
Public safety	1,547,528	-	1,547,528	1,543,614
Public works	1,823,348	-	1,823,348	1,775,258
Parks and recreation	1,017,089	-	1,017,089	997,432
Economic development	91,027	-	91,027	89,603
Library	169,547	-	169,547	127,080
Small equipment	58,774	-	58,774	47,105
Interest on long-term debt	48,079	-	48,079	53,642
Water	-	2,774,957	2,774,957	2,273,191
Sewer	-	1,320,394	1,320,394	1,094,634
Storm drainage	-	637,493	637,493	635,709
Total expenses	<u>5,626,664</u>	<u>4,732,844</u>	<u>10,359,508</u>	<u>9,324,030</u>
Change in net position	657,147	4,731,505	5,388,652	12,200,653
Net position at beginning of year	27,596,181	51,124,246	78,720,427	66,519,774
Net position at end of year	<u>\$28,253,328</u>	<u>\$55,855,751</u>	<u>\$84,109,079</u>	<u>\$78,720,427</u>

A portion of the “Net position at end of year” net position shown in the above Condensed Statement of Activities is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expensed. Within the governmental activities category restrictions are placed for streets and park improvements, TABOR emergency reserve and other purposes. The business-type activities restrictions were related to the operation and maintenance reserve required by the loan agreements.

Expenditures for the *governmental activities* displayed in the previous table for 2017 are shown in graphical form below. For comparative purposes, the figures from 2016 are included. All categories of governmental activities, except for “Interest on Long-Term Debt”, have increased above year ago levels. As the Town continues to grow, increasing costs in these activities will likely trend higher. Interest expense is a result of the Park Fund loan closed in 2015 for the Wellington Community Park (\$2,400,000).

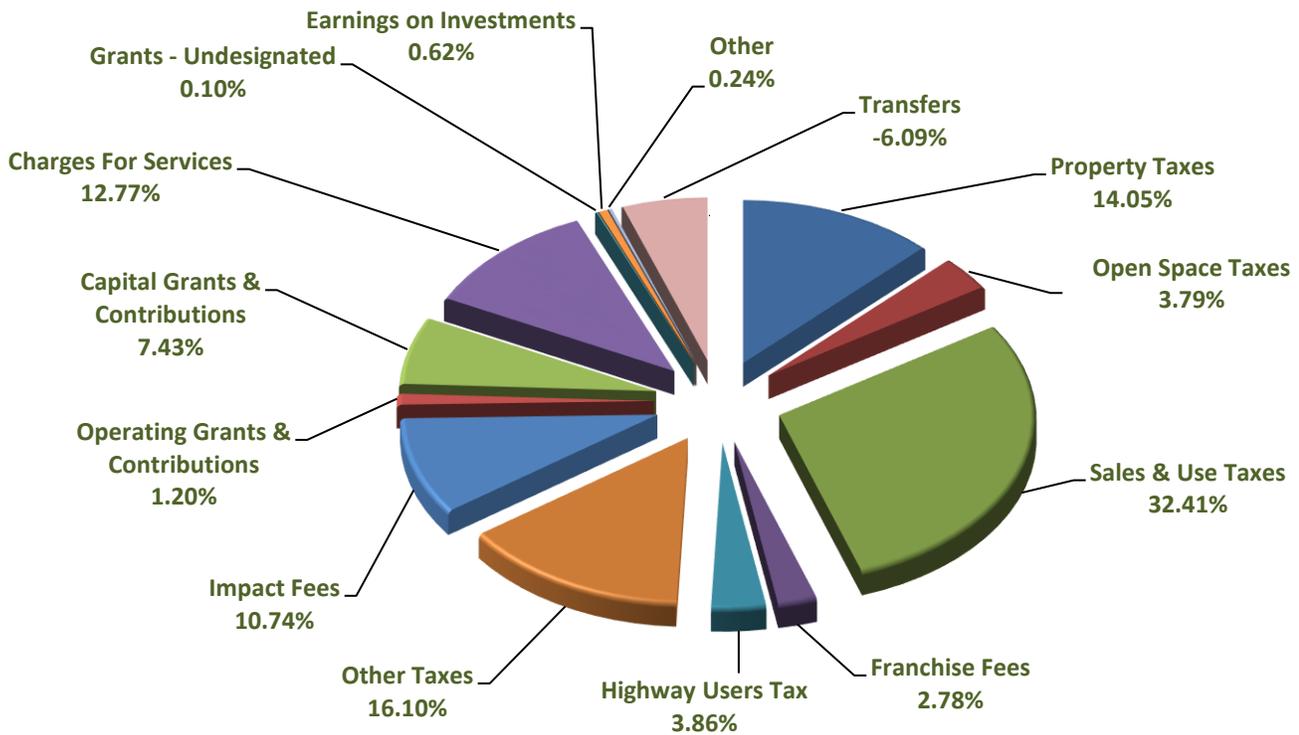
PROGRAM EXPENDITURES - GOVERNMENTAL ACTIVITIES



■ 2017 Expenditures	\$871,272	\$1,547,528	\$1,823,348	\$1,017,089	\$91,027	\$169,547	\$58,774	\$48,079
■ 2016 Expenditures	\$686,762	\$1,543,614	\$1,775,258	\$997,432	\$89,603	\$127,080	\$47,105	\$53,642

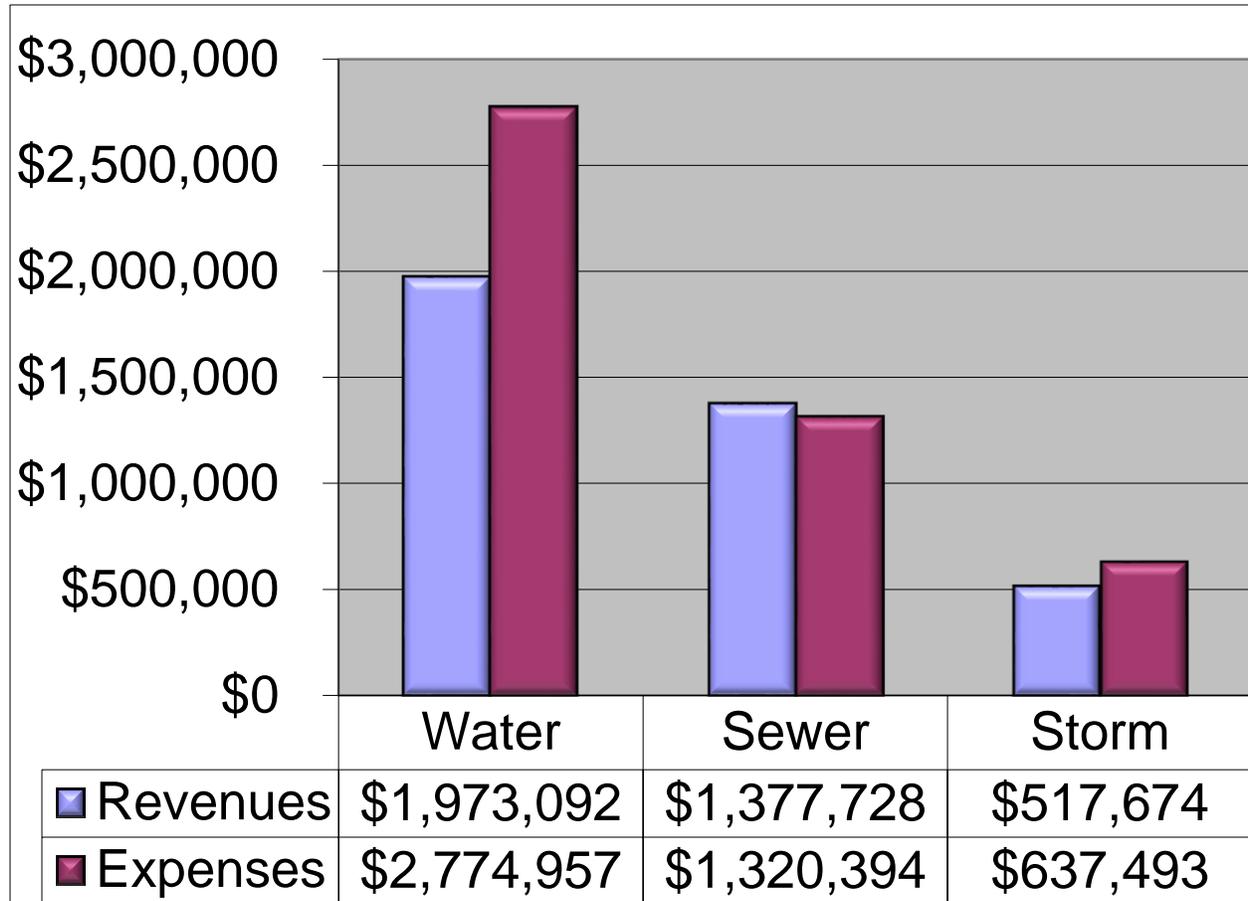
The following chart displays *revenues* categorized by source for the governmental activities. The source of revenue entitled "Other Taxes" consists of the following: Severance Taxes (\$21,044 – General Fund), Sales Tax received by governmental funds *other* than the General Fund (\$478,712 – Park Fund), Use Tax on Building Materials received by governmental funds *other* than the General Fund (\$254,818 – Park Fund), Motor Vehicle Specific Ownership Tax (\$81,604 – Street Fund), Motor Vehicle Use Tax (\$114,049 – Street Fund), Motor Vehicle Registration Tax (\$29,215 – Street Fund), Road & Bridge Tax (\$32,132 – Street Fund), and Interest on Delinquent (property) Taxes (\$732 – General Fund). The "Other Taxes" total is \$1,012,306. The total of all revenues depicted is \$6,286,191.

Revenues by Source - Governmental Activities



The following chart displays revenues and expenses of the *Business-type Activities*

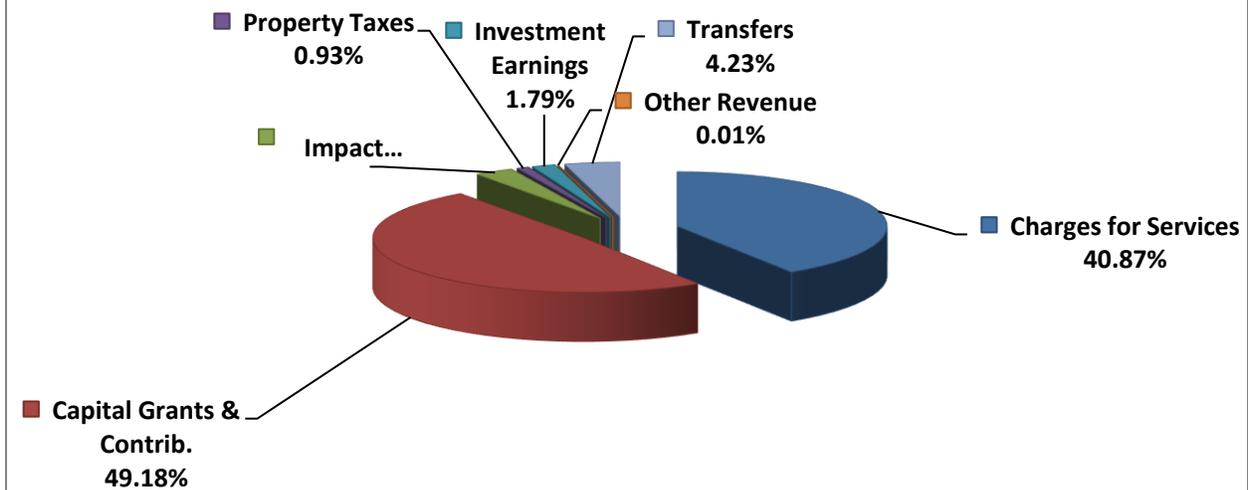
Program Revenues & Expenses - Business-type Activities



Operating and interest expenses exceed operating revenues in all but the Sewer Fund. However, each business activity fund includes a significant *non-cash* expense. The operating expenses include depreciation. Depreciation is an estimate of the deterioration of fixed assets. There was no actual cash expenditure involved in “depreciation expense”. *Non-cash* depreciation was \$660,113, \$451,853 and \$85,994 in the Water, Sewer and Storm Drainage Funds respectively.

The following chart presents the revenues and contributions by source for the business-type activities (enterprise funds). The largest source of revenue is entitled “Capital Grants & Contributions” (49.18%). This category consists of “Uniform Capital Investment Fees” (Water Fund) in the amount of \$2,898,998 and Sewer Fund “Tap Fees” of \$1,545,000. Also included are infrastructure dedications. In 2017, infrastructure dedications were: Water Fund - \$112,654 and Sewer Fund - \$97,450. The total amount of Capital Grants & Contributions in 2017 was \$4,654,102.

Revenue & Contributions By Source - Business Type Activities



Financial Analysis of the Town's Funds

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

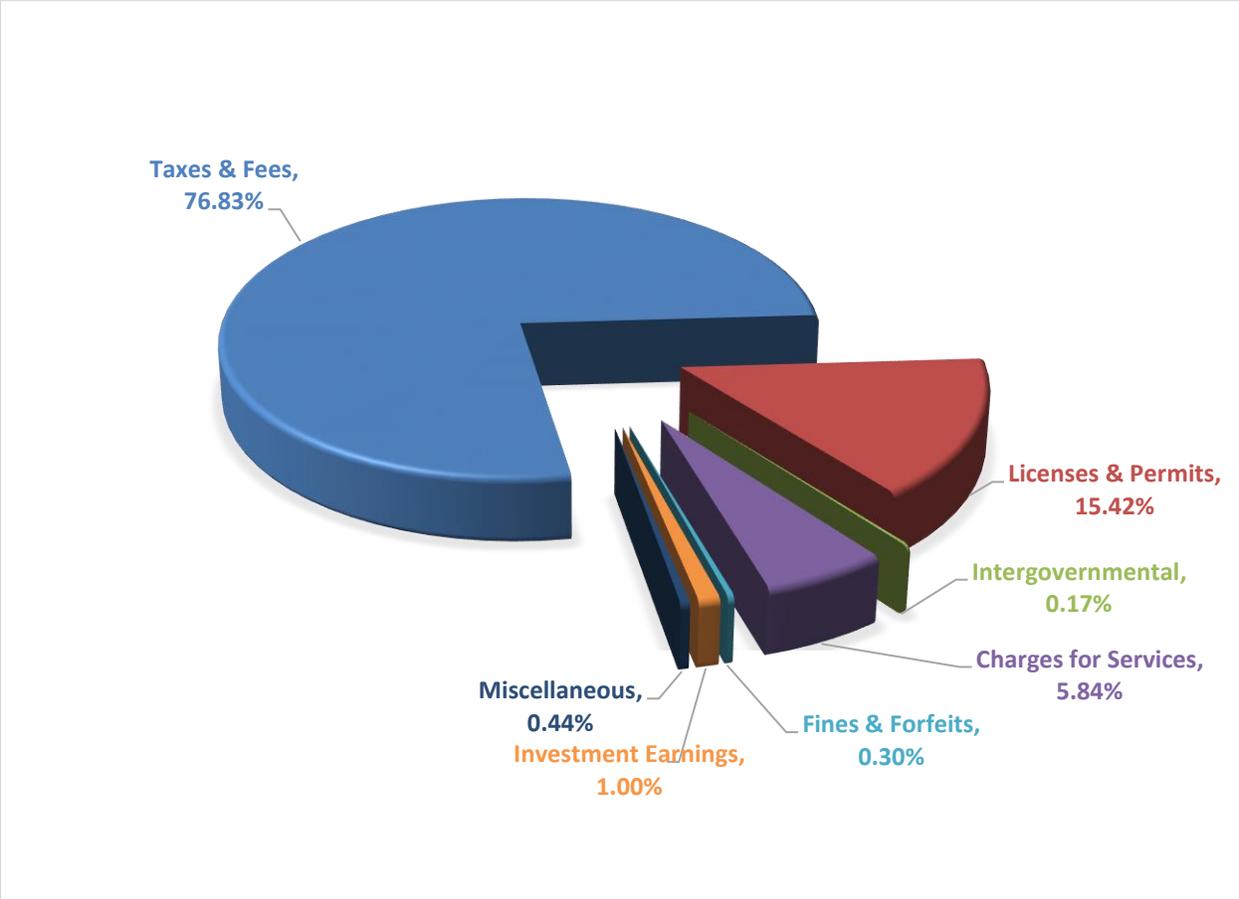
Governmental funds. The focus of the Town of Wellington's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Wellington's financing requirements. *Unassigned fund balance* may serve 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 of Wellington's governmental funds (General, Street, Park and Conservation Trust Funds) reported combined ending fund balances of \$7,198,306. Approximately 54.9% of this total amount (\$3,948,617) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is otherwise classified to indicate that it is not available for new spending because the asset itself is in a non-spendable form (i.e., inventories) or that portions of fund balance have been restricted, committed or assigned to specific purposes as follows:

Nonspendable:	\$3,933
Restricted:	\$671,848
Committed:	\$55,644
Assigned:	\$2,518,264
Unassigned:	<u>\$3,948,617</u>
TOTAL:	\$7,198,306

General Fund Budgetary Highlights

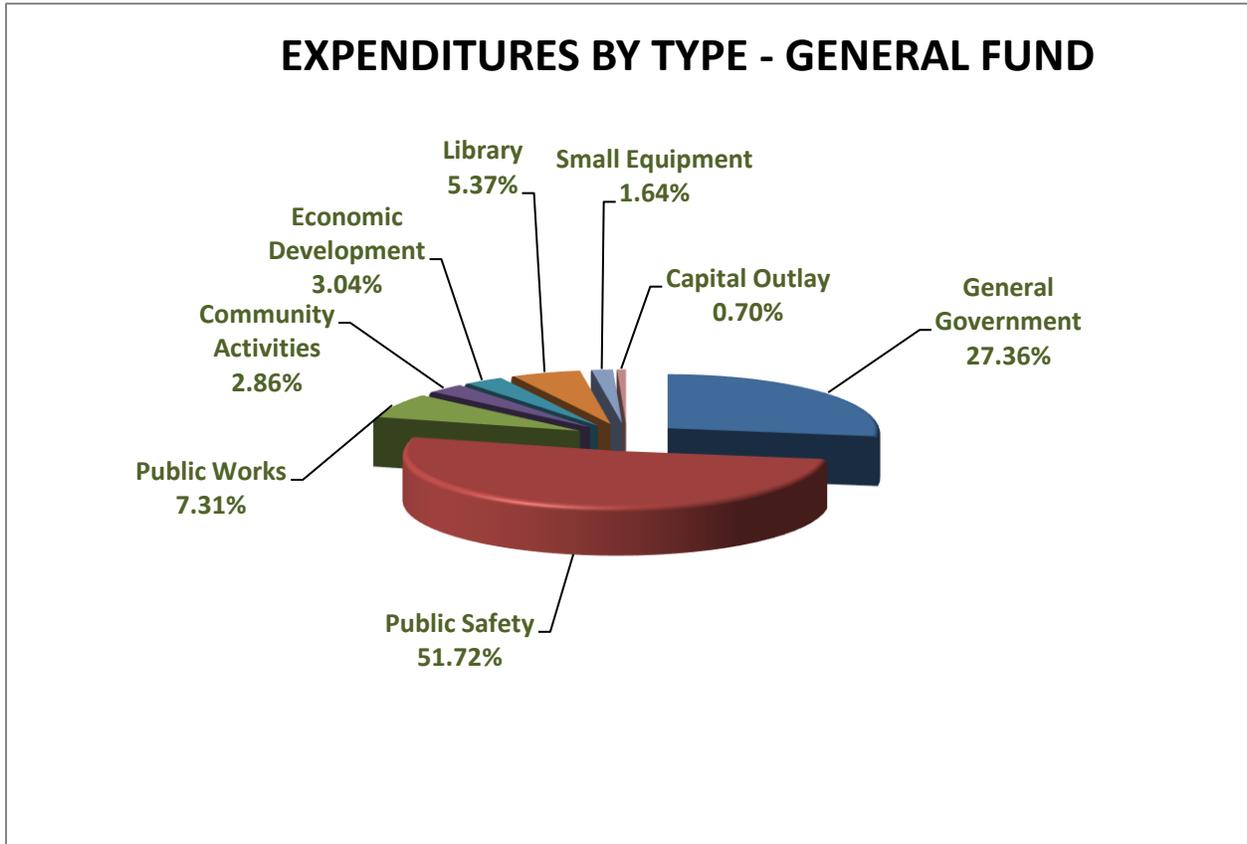
The General Fund accounts for all of the general services provided by the Town of Wellington. At the end of 2017, the fund balance of the General Fund totaled \$4,430,766, a slight decrease of \$62,726 over the fund balance at the end of 2016 (\$4,493,492).

Revenues by Source - General Fund



The General Fund’s primary source of revenue is taxes and to a lesser degree, fees. The General Fund receives nearly all the property taxes, and most of the sales and use taxes.

General Fund expenditures include all administrative functions of the Town (i.e. Town Council, Municipal Court, Town Administrator, Town Attorney, Finance Director, and all other admin. support staff) however, the primary *General Fund* expenditure is Public Safety (51.72%). “Public Safety” includes amounts paid to Larimer County Sheriff’s Office (\$1,102,440), amounts paid to SafeBuilt for building inspections (\$381,912) and amounts expended for the Town’s Code Enforcement program (\$63,176). The total of all Public Safety was \$1,547,528 in 2017. General Fund expenditures by type are presented below in graphical form.



CAPITAL ASSET ADMINISTRATION

Capital assets. The Town of Wellington's net investment in capital assets for its governmental *and* business type activities as of December 31, 2017, amounts to \$51,286,878 (net of accumulated depreciation and debt). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. At December 31, 2016, the net investment in capital assets was \$50,531,718 (net of accumulated depreciation and debt). Net investment in capital assets increased 1.5 percent from 2016 to 2017.

The most significant additions in net investment in capital assets for 2017 were infrastructure dedications in the Street Fund, Water Fund and Sewer Fund and completion of the Garfield Street project.

Town of Wellington's Capital Assets at Year End (net of depreciation, compared to 2016)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<u>TOTAL</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land:	1,351,018	1,351,018	119,233	119,233	1,470,251	1,470,251
Water Rights:	160,380	160,380	-	-	160,380	160,380
Water Delivery Rights:	-	-	423,746	423,746	423,746	423,746
Buildings & Improvements:	264,334	302,564	-	-	264,334	302,564
Improvements Other Than Buildings:	9,134,995	9,442,652	-	-	9,134,995	9,442,652
Streets & Improvements:	11,761,785	11,454,806	-	-	11,761,785	11,454,806
Machinery & Equipment:	267,449	233,409	-	-	267,449	233,409
Utility Systems & Equipment:	-	-	33,635,324	32,779,666	33,635,324	32,779,666
Construction in Progress:	142,883	246,212	427,015	1,135,863	569,898	1,382,075
TOTAL	<u>23,082,844</u>	<u>23,191,041</u>	<u>34,605,318</u>	<u>34,458,508</u>	<u>57,688,162</u>	<u>57,649,549</u>

Additional information on the Town of Wellington's capital assets can be found in footnote 5 on pages 39 and 40 of this report.

DEBT ADMINISTRATION

Long-term debt. At the end of 2017, the Town of Wellington had total debt outstanding of \$6,402,504. Of this amount, \$450,915 comprises general obligation debt backed by the full faith and credit of the Town (i.e., the Town's property taxing authority). The FNB Wellington Community Park Fund Loan was approved by the Town's voters and is a special obligation payable out of the available funds and revenues of the Park Fund. The remainder of the Town of Wellington's debt represents bonds and loans secured solely by specified revenue sources (Water & Sewer Fund revenues – i.e., Charges for Services).

Town of Wellington's Outstanding Debt at Year End

	Governmental		Business-Type		TOTAL	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
FNB WCP Loan (Park Fund):	\$1,945,389	\$2,167,016	-	-	\$1,945,389	\$2,167,016
1984 General Obligation Bonds (Water Fund):	-	-	\$149,000	\$170,000	\$149,000	\$170,000
1982 CWCB General Obligation Bonds (Water Fund):	-	-	\$301,915	\$345,682	\$301,915	\$345,682
2001 CWR&PDA Loan (Water Fund):	-	-	\$299,940	\$359,640	\$299,940	\$359,640
2002 CWR&PDA Loan (Sewer Fund):	-	-	\$1,511,260	\$1,782,095	\$1,511,260	\$1,782,095
2014 Bond Issue - WWTP Expansion (Sewer Fund):	-	-	\$2,195,000	\$2,295,000	\$2,195,000	\$2,295,000
TOTAL	\$1,945,389	\$2,167,016	\$4,457,115	\$4,952,417	\$6,402,504	\$7,119,433

This outstanding debt does not include compensated absences of \$78,688 at the end of 2017.

Additional information on the Town of Wellington's long-term debt can be found in footnote 6, pages 41-42.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget guides the efficient, effective and economic use of the Town's resources, as well as focus on the highest priority objectives. Through the Budget, the Town Council sets the direction, allocates resources and establishes priorities.

The Town Council approved the 2018 Budget on December 12, 2017, appropriating \$12,903,958 for expenditures in 2018. The initial 2017 appropriation, was \$18,030,775. The 2018 initial Budget reflects a 28.4% *decrease* from the 2017 initial Budget.

The Town building permit activity slowed in 2017 decreasing 31% as several developments reached build-out. New residential permits decreased from 274 in 2016 to 188 in 2017. However, after a flat or down year in 2018, activity should accelerate again with a significant new residential development approved.

One of the challenges Wellington faces in 2018 and beyond is to attract new commercial development. Since 2015, Wellington has grown at a steady 8% per year and currently estimates its population over 10,000. However, commercial development has not kept pace, and retail sales taxes in Wellington lag in comparison to surrounding communities. The 2019 budget will include funding for a full-time Economic Development Director and significant increases in marketing. Wellington is also partnering with the local Chamber of Commerce and Main Street organizations to coordinate marketing and recruitment efforts.

Another challenge associated with Wellington's growth will be to secure additional raw water supplies. Currently, Wellington has sufficient water rights to support a population of 21,000. At a 5% growth rate, Wellington will reach this plateau by 2033. Wellington is actively pursuing options to locate new water supplies and has engaged Wright Water Engineers to assist in this effort. Additionally, Wellington has engaged Clear Water Solutions, Inc. to help the Town prepare a Water Efficiency Plan which will identify conservation measures to create greater sustainability and resiliency to preserve our water resources.

Wellington's plan to construct a new Town Hall is currently on hold as the Town seeks to secure a location. Meanwhile, the Town continues to add staff to keep up with our growing community. The 2018 budget included 6.5 new full-time equivalents along with additional space secured by leasing a second building in Town. However, until a new Town Hall is constructed, the Town will be challenged to find sufficient workspace for staff.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town of Wellington's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Wellington Finance Director, PO Box 127, 3735 Cleveland Ave., Wellington, Colorado 80549.

Basic Financial Statements

Town of Wellington
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,812,261	\$ -	\$ 2,812,261
Equity in pooled cash and cash equivalents	357,446	3,562,946	3,920,392
Investments	3,811,398	22,202,777	26,014,175
Receivables	1,410,460	439,353	1,849,813
Internal balances	420,000	(420,000)	-
Inventory	-	63,436	63,436
Prepaid items	3,933	-	3,933
Restricted cash and cash equivalents	-	758,740	758,740
Capital assets:			
Nondepreciable	1,654,281	969,994	2,624,275
Depreciable, net of accumulated depreciation	21,428,563	33,635,324	55,063,887
Total assets	31,898,342	61,212,570	93,110,912
Liabilities			
Accounts payable	530,044	737,755	1,267,799
Accrued interest payable	3,745	56,140	59,885
Accrued wages payable	19,925	20,046	39,971
Noncurrent liabilities:			
Accrued compensated absences	78,688	-	78,688
Due within one year	225,881	510,881	736,762
Due in more than one year	1,719,508	3,945,014	5,664,522
Total liabilities	2,577,791	5,269,836	7,847,627
Deferred inflows of resources			
Unearned revenue - property taxes	1,067,223	86,983	1,154,206
Total deferred inflows of resources	1,067,223	86,983	1,154,206
Net position			
Net investment in capital assets	21,137,455	30,149,423	51,286,878
Restricted for:			
Emergencies	197,790	-	197,790
Parks and recreation	474,058	-	474,058
Rate stabilization and maintenance	-	758,740	758,740
Unrestricted	6,444,025	24,947,588	31,391,613
Total net position	\$ 28,253,328	\$ 55,855,751	\$ 84,109,079

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

Town of Wellington
Statement of Activities

Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 871,272	\$ 193,554	\$ -	\$ -
Public safety	1,547,528	511,312	-	-
Public works	1,823,348	9,971	-	467,069
Parks and recreation	1,017,089	88,116	75,430	-
Economic development	91,027	-	-	-
Library	169,547	-	-	-
Small equipment	58,774	-	-	-
Interest on long-term debt	48,079	-	-	-
Total governmental activities	5,626,664	802,953	75,430	467,069
Business-type activities:				
Water	2,774,957	1,973,092	-	3,011,652
Sewer	1,320,394	1,377,728	-	1,642,450
Storm drainage	637,493	517,674	-	-
Total business-type activities	4,732,844	3,868,494	-	4,654,102
Total primary government	\$ 10,359,508	\$ 4,671,447	\$ 75,430	\$ 5,121,171

Taxes:

- Property taxes levied for general purposes
- Property taxes levied for debt service
- Open space tax
- Sales and use tax
- Franchise fees
- Highway users tax
- Other taxes
- Impact fees

Grants and contributions not restricted to specific programs

Earnings on investments

Other revenues

Subtotal of general revenues, before transfers

Transfers

Total general revenues and transfers

Changes in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (677,718)	\$ -	\$ (677,718)
(1,036,216)	-	(1,036,216)
(1,346,308)	-	(1,346,308)
(853,543)	-	(853,543)
(91,027)	-	(91,027)
(169,547)	-	(169,547)
(58,774)	-	(58,774)
(48,079)	-	(48,079)
(4,281,212)	-	(4,281,212)
-	2,209,787	2,209,787
-	1,699,784	1,699,784
-	(119,819)	(119,819)
-	3,789,752	3,789,752
(4,281,212)	3,789,752	(491,460)
883,130	-	883,130
-	87,779	87,779
238,479	-	238,479
2,037,311	-	2,037,311
174,669	-	174,669
242,535	-	242,535
1,012,306	-	1,012,306
675,196	283,561	958,757
5,979	-	5,979
38,834	169,168	208,002
15,045	1,245	16,290
5,323,484	541,753	5,865,237
(385,125)	400,000	14,875
4,938,359	941,753	5,880,112
657,147	4,731,505	5,388,652
27,596,181	51,124,246	78,720,427
\$ 28,253,328	\$ 55,855,751	\$ 84,109,079

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

Town of Wellington
Balance Sheet
Governmental Funds
December 31, 2017

	General	Street	Park	Conservation Trust (Nonmajor)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 293,330	\$ 442,362	\$ 1,536,244	\$ 474,058	\$ 2,745,994
Equity in pooled cash and cash equivalents	357,446	-	-	-	357,446
Cash with fiscal agent	-	56,903	9,364	-	66,267
Investments	3,596,850	208,606	5,942	-	3,811,398
Receivables	1,300,273	19,395	90,792	-	1,410,460
Due from other funds	420,000	-	-	-	420,000
Prepaid items	3,933	-	-	-	3,933
Totals assets	\$ 5,971,832	\$ 727,266	\$ 1,642,342	\$ 474,058	\$ 8,815,498
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 464,821	\$ 50,645	\$ 14,578	\$ -	\$ 530,044
Accrued wages payable	9,022	3,995	6,908	-	19,925
Total liabilities	473,843	54,640	21,486	-	549,969
Deferred inflows of resources					
Unearned revenue - property taxes	1,067,223	-	-	-	1,067,223
Total deferred inflows of resources	1,067,223	-	-	-	1,067,223
Fund balances					
Nonspendable	3,933	-	-	-	3,933
Restricted	197,790	-	-	474,058	671,848
Committed	55,644	-	-	-	55,644
Assigned	224,782	672,626	1,620,856	-	2,518,264
Unassigned	3,948,617	-	-	-	3,948,617
Total fund balances	4,430,766	672,626	1,620,856	474,058	7,198,306
Total liabilities, deferred inflows of resources and fund balances	\$ 5,971,832	\$ 727,266	\$ 1,642,342	\$ 474,058	\$ 8,815,498

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

Town of Wellington
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position
December 31, 2017

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

Total fund balance - governmental funds		\$ 7,198,306
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported as assets in the governmental fund financial statements.

Capital assets	\$ 38,454,259	
Accumulated depreciation	<u>(15,371,415)</u>	23,082,844

Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities in the fund financial statements. Long-term liabilities at year end consist of:

Loan payable	\$ (1,945,389)	
Accrued interest payable	(3,745)	
Accrued compensated absences	<u>(78,688)</u>	<u>(2,027,822)</u>
Total net position - governmental activities		\$ 28,253,328

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

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2017

	General	Street	Park	Conservation Trust Fund (Nonmajor)	Total Governmental Funds
Revenues					
Taxes and impact fees	\$ 2,546,639	\$ 1,345,479	\$ 1,371,508	\$ -	\$ 5,263,626
Licenses and permits	510,962	350	-	-	511,312
Intergovernmental	5,479	-	-	75,930	81,409
Charges for services	193,554	-	88,116	-	281,670
Fines and forfeitures	9,971	-	-	-	9,971
Earnings on investments	33,310	1,619	3,475	430	38,834
Contributions and grants	-	467,069	-	-	467,069
Miscellaneous	14,665	380	-	-	15,045
Total revenues	3,314,580	1,814,897	1,463,099	76,360	6,668,936
Expenditures					
Current:					
General government	818,805	-	-	-	818,805
Public safety	1,547,528	-	-	-	1,547,528
Public works	218,580	587,711	-	-	806,291
Parks and recreation	85,594	-	680,447	-	766,041
Economic development	91,027	-	-	-	91,027
Library	160,637	-	-	-	160,637
Small equipment	49,150	8,528	1,096	-	58,774
Capital outlay	20,860	1,092,137	104,882	-	1,217,879
Debt Service:					
Principal	-	-	221,627	-	221,627
Interest	-	-	48,506	-	48,506
Total expenditures	2,992,181	1,688,376	1,056,558	-	5,737,115
Excess (deficiency) of revenues over expenditures	322,399	126,521	406,541	76,360	931,821
Other financing sources					
Transfers in	14,875	-	-	-	14,875
Transfers out	(400,000)	-	-	-	(400,000)
Total other financing sources	(385,125)	-	-	-	(385,125)
Net change in fund balances	(62,726)	126,521	406,541	76,360	546,696
Fund balances at beginning of year	4,493,492	546,105	1,214,315	397,698	6,651,610
Fund balances at end of year	\$ 4,430,766	\$ 672,626	\$ 1,620,856	\$ 474,058	\$ 7,198,306

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

Town of Wellington
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances with the Government-wide Statement of Activities
Year Ended December 31, 2017

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

Total net change in fund balance - governmental funds. \$ 546,696

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlay during the year.

Capital outlay	\$ 1,217,879	
Depreciation expense	<u>(1,326,076)</u>	(108,197)

Repayment of loan payable obligations are expenditures in the fund financial statements, but are reductions in long-term liabilities in the statement of net position and do not affect the statement of activities. 221,627

Decrease in interest payable is reflected as an expense in the statement of activities and not reflected as an expenditure in the statement of revenues, expenditures and changes in fund balances. 427

Increase in accrued compensated absences liability is reflected as an expense on the statement of activities and not reflected as an expenditure on the governmental fund statement of revenues, expenditures and changes in fund balances. (3,406)

Change in net position of governmental activities \$ 657,147

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

Town of Wellington
Statement of Net Position
Proprietary Funds
December 31, 2017

	Water	Sewer	Storm Drainage	Total
Assets				
Current assets				
Equity in pooled cash and cash equivalents	\$ 1,585,246	\$ 1,781,720	\$ 195,980	\$ 3,562,946
Investments	15,427,265	5,995,353	780,159	22,202,777
Receivables	237,193	143,437	58,723	439,353
Inventory	61,330	2,106	-	63,436
Total current assets	17,311,034	7,922,616	1,034,862	26,268,512
Noncurrent assets				
Restricted cash and cash equivalents	408,740	350,000	-	758,740
Capital assets:				
Land	36,130	83,103	-	119,233
Water rights	423,746	-	-	423,746
Construction in progress	392,216	3,846	30,953	427,015
Utilities systems	22,866,740	19,687,822	3,272,909	45,827,471
Equipment	534,365	538,753	5,108	1,078,226
Less accumulated depreciation	(8,355,114)	(4,648,710)	(266,549)	(13,270,373)
Total capital assets - net	15,898,083	15,664,814	3,042,421	34,605,318
Total noncurrent assets	16,306,823	16,014,814	3,042,421	35,364,058
Total assets	33,617,857	23,937,430	4,077,283	61,632,570
Liabilities				
Current liabilities				
Accounts payable	237,812	26,010	473,933	737,755
Accrued interest payable	3,773	52,367	-	56,140
Accrued wages payable	10,971	8,190	885	20,046
Due to other funds	-	-	420,000	420,000
Current portion of long-term debt	129,629	381,252	-	510,881
Total current liabilities	382,185	467,819	894,818	1,744,822
Noncurrent liabilities				
Long-term debt	620,006	3,325,008	-	3,945,014
Total noncurrent liabilities	620,006	3,325,008	-	3,945,014
Total liabilities	1,002,191	3,792,827	894,818	5,689,836
Deferred inflows of resources				
Unearned revenue - property taxes	86,983	-	-	86,983
Total deferred inflows of resources	86,983	-	-	86,983
Net position				
Net investment in capital assets	15,148,448	11,958,554	3,042,421	30,149,423
Restricted for rate stabilization	-	350,000	-	350,000
Restricted for maintenance	408,740	-	-	408,740
Unrestricted	16,971,495	7,836,049	140,044	24,947,588
Total net position	\$ 32,528,683	\$ 20,144,603	\$ 3,182,465	\$ 55,855,751

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

Town of Wellington
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2017

	Water	Sewer	Storm Drainage	Totals
Operating revenues				
Charges for services	\$ 1,971,328	\$ 1,377,728	\$ 517,674	\$ 3,866,730
Miscellaneous	1,764	-	-	1,764
Total operating revenues	1,973,092	1,377,728	517,674	3,868,494
Operating expenses				
Administrative	218,061	179,227	520,236	917,524
Operating	1,484,511	550,968	28,775	2,064,254
Small equipment	376,254	8,323	2,488	387,065
Depreciation	660,113	451,853	85,994	1,197,960
Total operating expenses	2,738,939	1,190,371	637,493	4,566,803
Operating income (loss)	(765,847)	187,357	(119,819)	(698,309)
Non-operating revenues (expenses)				
Property taxes and impact fees	87,779	-	283,561	371,340
Earnings on investments	118,185	44,923	6,060	169,168
Interest expense	(36,018)	(130,023)	-	(166,041)
Other non-operating revenue	-	1,189	56	1,245
Total non-operating revenues (expenses)	169,946	(83,911)	289,677	375,712
Income (loss) before transfers and contributions	(595,901)	103,446	169,858	(322,597)
Transfers in			400,000	400,000
Capital contributions	3,011,652	1,642,450	-	4,654,102
Changes in net position	2,415,751	1,745,896	569,858	4,731,505
Net position at beginning of year	30,112,932	18,398,707	2,612,607	51,124,246
Net position at end of year	\$ 32,528,683	\$ 20,144,603	\$ 3,182,465	\$ 55,855,751

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

Town of Wellington
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Water	Sewer	Storm Drainage	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,959,573	\$ 1,365,434	\$ 507,216	\$ 3,832,223
Cash payments to suppliers	(1,640,340)	(402,553)	(542,588)	(2,585,481)
Cash payments to employees	(372,519)	(396,637)	(49,319)	(818,475)
Net cash flows from operating activities	(53,286)	566,244	(84,691)	428,267
Cash flows from non-capital financing activities				
Property taxes	86,983	-	15,883	102,866
Impact fees	-	-	267,678	267,678
Transfers in	-	-	400,000	400,000
Other non-operating revenue	-	1,189	56	1,245
Net cash flows from non-capital financing activities	86,983	1,189	683,617	771,789
Cash flows from capital and related financing activities				
Capital contributions	2,898,998	1,545,000	-	4,443,998
Acquisitions of capital assets	(412,507)	(36,818)	(1,117,382)	(1,566,707)
Principal paid on long-term debt	(124,467)	(370,835)	-	(495,302)
Interest paid on long-term debt	(36,121)	(134,196)	-	(170,317)
Net cash flows from capital and related financing activities	2,325,903	1,003,151	(1,117,382)	2,211,672
Cash flows from investing activities				
Earnings on investments	118,185	44,923	6,060	169,168
Purchase of investments	(1,118,187)	(1,044,923)	(6,060)	(2,169,170)
Change in restricted cash and cash equivalents	(51,450)	-	-	(51,450)
Net cash flows from investing activities	(1,051,452)	(1,000,000)	-	(2,051,452)
Net change in cash and cash equivalents	1,308,148	570,584	(518,456)	1,360,276
Cash and cash equivalents at beginning of year	277,098	1,211,136	714,436	2,202,670
Cash and cash equivalents at end of year	\$ 1,585,246	\$ 1,781,720	\$ 195,980	\$ 3,562,946
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (765,847)	\$ 187,357	\$ (119,819)	\$ (698,309)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	660,113	451,853	85,994	1,197,960
Changes in operating assets and liabilities:				
Receivables	(13,519)	(12,294)	(10,458)	(36,271)
Inventory	(22,058)	(50)	-	(22,108)
Prepaid items	313	313	313	939
Accounts payable	82,853	(63,430)	(40,762)	(21,339)
Accrued wages payable	4,859	2,495	41	7,395
Net cash flows from operating activities	\$ (53,286)	\$ 566,244	\$ (84,691)	\$ 428,267
Noncash investing, capital and financing activities:				
Capital assets acquired through accounts payable	\$ 104,343	\$ -	\$ -	\$ 104,343
Capital assets acquired through accounts payable in prior year	\$ -	\$ 536,384	\$ -	\$ 536,384
Capital assets acquired with capital contribution	\$ 112,654	\$ 97,450	\$ -	\$ 210,104

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

Town of Wellington
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2017

	Library Trust
Assets	
Equity in pooled cash and cash equivalents, restricted	\$ 68,555
Investments	295,428
Total assets	363,983
Liabilities	
Unearned revenue	4,500
Total liabilities	4,500
Net position	\$ 359,483

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

Town of Wellington
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2017

	Library Trust
<hr/>	
Additions	
Library impact fees	\$ 50,751
Total additions	50,751
<hr/>	
Deductions	
Transfer out	14,875
Total deductions	14,875
Change in net position	35,876
Net position at beginning of year	323,607
Net position at end of year	\$ 359,483

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

Town of Wellington

Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies

Form of Organization

The Town of Wellington, Colorado (the “Town”) was founded on November 10, 1905 as a statutory town. The Town’s major operations include general government, public safety, public works, parks and recreation, economic development, and the library.

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

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the Town.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Town of Wellington

Notes to Financial Statements

December 31, 2017

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, reconciliations are presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, ("GASB No. 33") the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The following are the Town's major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Street Fund - The Street Fund, a special revenue fund, is considered a major fund of the Town. Revenues in the Street Fund consist of motor vehicle ownership taxes, motor vehicle registration taxes and highway user taxes. In addition, this fund accounts for impact fees relating to new construction from building permits. Amounts collected are disbursed for the maintenance of the Town's streets and alleys.

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Park Fund - The Park Fund, a special revenue fund, is considered a major fund of the Town. Revenues in the Park Fund consist of sales taxes, use taxes, motor vehicle use taxes, and open space sales taxes. In addition, this fund accounts for impact fees relating to new construction from building permits. Amounts collected are disbursed for the maintenance of the Town's parks and open space.

The other governmental fund (nonmajor fund) is a special revenue fund (Conservation Trust) and has been established to account for revenues from the Colorado Conservation Trust Fund which are required to be used to fund park and recreation services.

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts invested in capital assets, restricted for debt service and rate stabilization loan reserves, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Town's major enterprise funds include the Water, Sewer, and Storm Drainage funds.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town has one private-purpose trust fund, the Library Trust Fund, which accounts for library impact fees and grants and disburses funds for the benefit of the Town's library. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets

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

- By October 15, the Town Administrator submits to the Town Board of Trustees, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them;
- A public hearing is conducted to obtain taxpayer comments;
- Prior to December 31, the budget is legally enacted through passage of a resolution;
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Trustees through passage of a formal resolution;

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- The Town legally adopts budgets for all of the funds. Budgets for the general, special revenue and fiduciary funds are adopted on a basis consistent with GAAP. Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis, where payments for capital assets and principal amounts of debt are treated as expenditures, bond proceeds are treated as revenues, and depreciation is not budgeted;
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Town Board of Trustees. All appropriations lapse at year-end.

The following table summarizes the individual fund budgeted expenditures, as originally adopted, and as revised:

	Original Budget	Total Revisions	Final Budget
Governmental funds:			
General fund	\$ 3,412,267	\$ -	\$ 3,412,267
Special revenue funds:			
Street fund	2,461,987	-	2,461,987
Park fund	1,533,463	-	1,533,463
Conservation trust fund	-	-	-
Business type funds:			
Water fund	7,595,959	-	7,595,959
Sewer fund	1,879,184	-	1,879,184
Storm drainage fund	1,132,865	-	1,132,865
Fiduciary fund type:			
Library trust fund	15,050	-	15,050
Total funds	\$ 18,030,775	\$ -	\$ 18,030,775

Cash and Cash Equivalents

To improve cash management, cash received by the Town is pooled and invested. Individual fund integrity is maintained through the Town's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The Town considers all highly liquid investments with original maturities of three months or less, including deposits in a pooled investment fund, to be cash equivalents. Overdrawn balances in pooled cash accounts are treated by the Town as interfund liabilities, payable to the fund deemed to have made the loan.

Restricted Cash

The amounts restricted in the Water and Sewer funds are in compliance with the operation and maintenance reserve and rate stabilization requirements of the loans from the Colorado Water Resource and Power Development Authority.

Investments

Investments are reported at fair value or net asset value in accordance with *GASB Statement No. 72, Fair Value Measurement and Application* or *GASB Statement No. 77, Certain External Investment Pools*.

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Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the Town by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the Town.

In the fund financial statements, property taxes are recognized in the year for which levied provided they become available and measurable. Utility service revenue is recognized when the service is provided.

Short-Term Interfund Receivables/Payables

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

Inventories

Inventories, consisting primarily of chemicals used in the treatment process of the Water and Sewer funds, have been valued at cost on a first-in first-out basis. The consumption method is used to account for inventories. Inventory costs are recorded as expenditures or expenses when individual inventory items are consumed.

Bond Premium and Debt Issuance Costs

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Debt issuance costs are recognized during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums on the debt issuance are reported as other finance sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., streets and roads, bridges, water lines, storm-water drainage, traffic signals, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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Assets are depreciated using the straight-line method over the assets estimated useful lives. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

Description	Governmental	Business-Type
Land and water rights	N/A	N/A
Buildings and improvements	10-40 years	N/A
Improvements other than buildings	5-50 years	N/A
Streets and improvements	20-40 years	N/A
Machinery and equipment	5-20 years	5 years
Utilities systems	N/A	50 years

Compensated Absences

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, (“GASB No. 16”). Personal leave benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services rendered and it is probable that the Town will compensate the employees for the benefits earned. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay. There is no payment for sick leave upon termination.

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$78,688 at December 31, 2017.

On the governmental fund financial statements, where applicable, the current portion of unpaid compensated absences is the amount expected to be paid using current available resources. At December 31, 2017, there is no accrual in the fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees (the "Board"). The Board is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned - represents the net position of the Town, which is not restricted for any project or other purpose. A deficit will require future funding.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town considers restricted resources 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 has provided otherwise in its commitment or assignment actions.

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As of December 31, 2017, fund balances are composed of the following:

	General Fund	Street Fund	Park Fund	Conservation Trust Fund	Total Governmental
Nonspendable:					
Prepaid items	\$ 3,933	\$ -	\$ -	\$ -	\$ 3,933
Restricted:					
Emergencies	197,790	-	-	-	197,790
Parks and open space	-	-	-	474,058	474,058
Committed:					
Cemetery operations	55,644	-	-	-	55,644
Assigned:					
Capital projects	-	445,280	1,182,981	-	1,628,261
Subsequent year's expenditures	224,782	227,346	437,875	-	890,003
Unassigned	3,948,617	-	-	-	3,948,617
Total fund balances	\$ 4,430,766	\$ 672,626	\$ 1,620,856	\$ 474,058	\$ 7,198,306

Interfund Transactions

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

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or

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local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2017, the Town had deposits with financial institutions with a carrying amount (book balance) of \$7,492,395. The bank balances with the financial institutions were \$8,132,462, which of this amount, \$750,000 was covered by federal depository insurance, with the excess in 2017 covered by PDPA.

Cash and cash equivalents, including restricted cash, held by the Town at December 31, 2017 were as follows:

Cash on hand	\$ 1,286
Cash with county treasurer and clerk	66,267
Cash deposits	7,492,395
Total	\$ 7,559,948

Cash and cash equivalents, by statement, are as follows:

Statement of net position:	
Cash and cash equivalents	\$ 2,812,261
Equity in pooled cash and cash equivalents	3,920,392
Restricted cash and cash equivalents	758,740
Statement of fiduciary net position:	
Equity in pooled cash and cash equivalents, restricted	68,555
Total	\$ 7,559,948

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the Town may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Town's policy is to hold investments until maturity.

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The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2017, assets measured at fair value on a recurring basis have been categorized into the hierarchy as follows:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 258,882	\$ -	\$ 258,882
Colostrust - Measured at net asset value				26,050,721
Total	\$ -	\$ 258,882	\$ -	\$26,309,603

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the Town would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a specific policy for custodial credit risk. As of December 31, 2016, the Town had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the “Trust”), discussed below.

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 value losses arising from increasing interest rates.

Local Government Investment Pools

At December 31, 2017, the Town had invested \$26,050,721 in the Colorado Local Government Liquid Asset Trust (the “Trust”), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor’s and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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3. Receivables

Receivables at December 31, 2017, consisted of the following:

Types	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 1,153,579	\$ 86,983	\$ 1,240,562
Trade accounts	-	347,372	347,372
Intergovernmental	104,998	-	104,998
Other	151,883	4,998	156,881
Total	\$ 1,410,460	\$ 439,353	\$ 1,849,813

4. Interfund Receivables/Payables and Transfers

The Town's interfund receivables and payables at December 31, 2017 (at the fund level) are shown below. These amounts represent short-term receivables and payables. The 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.

Receivable Fund	Payable Fund	Amount
General	Storm Drainage	\$ 420,000
Total - fund financial statements		420,000
Total internal balances - government-wide statement of net position		\$ 420,000

Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following shows the transfers made during the year ended December 31, 2017:

	Transfers Out	
	General Fund	Fiduciary Fund
Transfers In:		
Governmental funds:		
General Fund	\$ -	\$ 14,875
Proprietary funds:		
Storm Drainage Fund	400,000	-
Total	\$ 400,000	\$ 14,875

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5. Capital Assets

A summary of changes in governmental activities capital assets for the year ended December 31, 2017, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land and water rights	\$ 1,511,398	\$ -	\$ -	\$ 1,511,398
Construction in progress	246,212	13,975	(117,304)	142,883
Total capital assets, not being depreciated	1,757,610	13,975	(117,304)	1,654,281
Capital assets, being depreciated:				
Buildings and improvements	988,822	-	-	988,822
Improvements other than buildings	12,506,086	68,539	-	12,574,625
Streets and improvements	20,700,635	1,160,804	-	21,861,439
Machinery and equipment	1,283,227	91,865	-	1,375,092
Total capital assets, being depreciated	35,478,770	1,321,208	-	36,799,978
Less accumulated depreciation for:				
Buildings and improvements	(686,258)	(38,230)	-	(724,488)
Improvements other than buildings	(3,063,434)	(376,196)	-	(3,439,630)
Streets and improvements	(9,245,829)	(853,825)	-	(10,099,654)
Machinery and equipment	(1,049,818)	(57,825)	-	(1,107,643)
Total accumulated depreciated	(14,045,339)	(1,326,076)	-	(15,371,415)
Total capital assets, being depreciated, net	21,433,431	(4,868)	-	21,428,563
Governmental activities capital assets, net	\$23,191,041	\$ 9,107	\$ (117,304)	\$23,082,844

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Depreciation expense for governmental activities has been allocated to various activities as follows:

Governmental activities:	
General government	\$ 49,061
Public works	1,017,057
Parks and recreation	251,048
Library	8,910
Total depreciation expense - governmental activities	\$ 1,326,076

A summary of changes in business-type activities capital assets for the year ended December 31, 2017, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Land and water rights	\$ 542,979	\$ -	\$ -	\$ 542,979
Construction in progress	1,135,863	355,185	(1,064,033)	427,015
Total capital assets, not being depreciated	1,678,842	355,185	(1,064,033)	969,994
Capital assets, being depreciated:				
Utilities systems	43,869,899	1,957,572	-	45,827,471
Machinery and equipment	982,180	96,046	-	1,078,226
Total capital assets, being depreciated	44,852,079	2,053,618	-	46,905,697
Less accumulated depreciation	(12,072,413)	(1,197,960)	-	(13,270,373)
Total capital assets, being depreciated, net	32,779,666	855,658	-	33,635,324
Business-type activities capital assets, net	\$34,458,508	\$ 1,210,843	\$(1,064,033)	\$34,605,318

Depreciation expense for business-type activities has been allocated to various activities as follows:

Business-type activities:	
Water	\$ 660,113
Sewer	451,853
Storm drainage	85,994
Total depreciation expense - business-type activities	\$ 1,197,960

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Notes to Financial Statements

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6. Long-Term Debt

Governmental Activities

In 2014, the Town borrowed \$2,400,000 from First National Bank, with monthly principal and interest payments beginning after a one year construction period, maturing in 2029. Interest is fixed at 2.31%, payable monthly during the one year construction period. The Park Fund is required to maintain a coverage amount of 125% of principal and interest. For the year ended December 31, 2017, the Town met the coverage amount.

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town has recorded a liability of \$78,688 at December 31, 2017.

Business-Type Activities

In September 2014 the Town entered into a 20 year general obligation sewer bond in the amount of \$2,400,000, due in 2024. The special revenue bond has variable interest rate, not to exceed 4%, and escalating principal payments.

In 2002, the Town entered into a loan payable with the Colorado Water Resource and Power Development Authority (“CWRPDA”). The 20 year note requires varying semi-annual principal and interest payments at 3.71%, payments through August 1, 2022. The loan is a special revenue obligation of the Sewer Fund payable from sewer rates, fees, standby charges, and charges from the use and operation of the system and from such other funds legally available after the payment of operation and maintenance expenses of the system.

In 2001, the Town entered into a loan payable with CWRPDA requiring semi-annual payments of \$36,747 principal and interest, at 4.0% through May 1, 2022. The loan is a special revenue obligation of the Water Fund payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds legally available after the payment of operation and maintenance expenses of the system.

During 1984, the Town entered into a general obligation water bond in the amount of \$500,000. Bond is due in escalating installments and matures on December 1, 2023. Interest is fixed at 5%.

During 1982, the Town entered into a loan agreement with Colorado Water Conservation Board (“CWCB”) requiring annual payments of \$57,593 principal and interest at 4.0% through December 1, 2023. Revenues of the Town are pledged in an amount sufficient to pay the annual amounts due under the loan contract.

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Following is a summary of the debt transactions for the year ended December 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
2014 First National Bank loan	\$2,167,016	\$ -	\$(221,627)	\$ 1,945,389	\$ 225,881
Accrued compensated absences	75,282	97,648	(94,242)	78,688	-
	<u>\$2,242,298</u>	<u>\$ 97,648</u>	<u>\$(315,869)</u>	<u>\$ 2,024,077</u>	<u>\$225,881</u>
Business-Type Activities					
1984 general obligation water bond	\$ 170,000	\$ -	\$ (21,000)	\$ 149,000	\$ 22,000
1982 Colorado Water Conservation Board loan	345,682	-	(43,767)	301,915	45,518
2001 Colorado Water Resource and Power Development Authority loan	359,640	-	(59,700)	299,940	62,111
2002 Colorado Water Resource and Power Development Authority loan	1,782,095	-	(270,835)	1,511,260	276,252
2014 general obligation sewer bond	2,295,000	-	(100,000)	2,195,000	105,000
	<u>\$4,952,417</u>	<u>\$ -</u>	<u>\$(495,302)</u>	<u>4,457,115</u>	<u>\$510,881</u>
Current portion of long-term debt				(510,881)	
Discount on long-term debt				(1,220)	
Non-current portion of long-term liabilities				<u>\$ 3,945,014</u>	

The following table represents future debt service requirements as of December 31, 2017:

Year	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 225,881	\$ 43,579	\$ 510,881	\$ 146,728	\$ 927,069
2019	231,228	38,232	527,046	131,222	927,728
2020	236,607	32,853	543,383	114,734	927,577
2021	242,304	27,156	570,318	98,103	937,881
2022	248,040	21,420	562,109	80,386	911,955
2023-2027	761,329	28,500	693,378	268,697	1,751,904
2028-2032	-	-	725,000	151,450	876,450
2033-2035	-	-	325,000	19,600	344,600
	<u>\$ 1,945,389</u>	<u>\$ 191,740</u>	<u>\$ 4,457,115</u>	<u>\$ 1,010,920</u>	<u>\$ 7,605,164</u>

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7. Rate Maintenance

Water Fund

Pursuant to the CWRPDA loan agreement, the Town shall establish, levy, and collect rents, rates, and other charges for the products and services provided by the Town’s water system (the “Water System”) in an amount sufficient to: (1) meet the operation and maintenance expenses of the Water System, (2) comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on all indebtedness or at least 110% of all such debt if connection fees are included as a source of payment.

The following calculation shows the Town has complied with the rate maintenance provision of this loan agreement.

Operating revenues	\$ 1,973,092	
Connection fees	2,898,998	
	4,872,090	
Subtotal	4,872,090	
Operation and maintenance expenses (not including depreciation)	2,078,826	
	2,078,826	
Net revenue as defined in loan agreement		\$ 2,793,264
2017 principal due	\$ 59,700	
2017 interest due	15,795	
	75,495	
	x110%	83,045
	83,045	
Amount the current year revenues were in excess of the requirements of the CWRPDA loan agreement.		\$ 2,710,219

Per the loan agreement, the Town is required to either raise rates within 60 days after the end of the year to comply with the rate covenant or to hire an independent firm of accountants or consulting engineers to do a rate study within 120 days of year-end to recommend a rate increase to meet the loan covenant.

Sewer Fund

Pursuant to the CWRPDA loan agreement, the Town shall establish, levy, and collect rents, rates, and other charges for the products and services provided by the Town’s sewer system (the “Sewer System”) in an amount sufficient to: (1) meet the operation and maintenance expenses of the Sewer System, (2) comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on all indebtedness or at least 110% of all such debt if connection fees are included as a source of payment.

**Town of Wellington
Notes to Financial Statements**

December 31, 2017

The following calculation shows the Town has complied with the rate maintenance provision of this loan agreement.

Operating revenues	\$ 1,377,728	
Connection fees	<u>1,545,000</u>	
Subtotal	2,922,728	
Operation and maintenance expenses (not including depreciation)	738,518	
<hr/>		
Net revenue as defined in loan agreement		\$ 2,184,210
2017 principal due	\$ 270,835	
2017 interest due	<u>53,329</u>	
	324,164	
	x110%	356,580
<hr/>		
Amount the current year revenues were in excess of the requirements of the CWRPDA loan agreement.		<u>\$ 1,827,630</u>

Per the loan agreement, the Town is required to either raise rates within 60 days after the end of the year to comply with the rate covenant or to hire an independent firm of accountants or consulting engineers to do a rate study within 120 days of year end to recommend a rate increase to meet the loan covenant.

The Town Board approved resolution 1-2012 SE establishing rate stabilization account in the Sewer Fund in conformity with the rate covenant provisions of the 2002 CWRPDA loan agreement. This resolution restricted \$350,000 specifically for debt service on the aforementioned CWRPDA loan, retroactive to December 31, 2011. This restriction, plus the calculation shown above, demonstrates the Town is in compliance with the requirements of the CWRPDA loan at December 31, 2017.

The CWRPDA loans in the Water and Sewer Funds require the Town to maintain an operations and maintenance reserve in an amount equal to three months of operations and maintenance expenses, excluding depreciation of the system, as set forth in the annual budget for the current fiscal year. The Town has restricted \$408,740 in the Water Fund and \$350,000 in the Sewer Fund to comply with the terms of these agreements.

Pursuant to the 2014 special revenue bond obligation agreement, the Town shall establish, maintain, enforce, and collect rates, fees, and charges for the services provided by the Town's wastewater system to create gross revenue each calendar year sufficient to pay operation and maintenance expenses and to create net revenue in an amount: (1) equal to not less than 120% of the amount necessary to pay when due the principal of and interest on the bonds and any parity lien bonds coming due during such calendar year; and (2) sufficient to make up any deficiencies in the reserve account. In the event that the gross revenue at any time is not sufficient to make such payments, the Town shall promptly increase such rates, fees, and charges to an extent which will ensure the payments and accumulations required by the ordinance.

**Town of Wellington
Notes to Financial Statements**

December 31, 2017

The following calculation shows the Town has complied with the rate maintenance provision of this bond agreement.

Operating revenues	\$ 1,377,728	
Connection fees	1,545,000	
Subtotal	2,922,728	
Operation and maintenance expenses (not including depreciation)	738,518	
<hr/>		
Net revenue as defined in loan agreement		\$ 2,184,210
2016 principal due	\$ 100,000	
2016 interest due	72,028	
	172,028	
	x120%	206,434
<hr/>		
Amount the current year revenues were in excess of the requirements of the general bond obligation.		\$ 1,977,776

8. Contingencies

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town carries commercial insurance covering specific and general risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

9. Taxes, Spending and Debt Limitations

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserve (balance). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. An emergency, as defined by the Amendment, excludes economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Town has restricted \$197,790 for this purpose.

Town of Wellington
Notes to Financial Statements

December 31, 2017

On November 5, 1996, the voting citizens of the Town of Wellington authorized the Town (retroactive to January 1, 1995) to, without imposing any new taxes or increases in tax rates, retain all revenue from all sources in 1995 and subsequent years, and to spend the same as a voter-approved revenue change and as exception to limits which would otherwise apply for each of said years under Colorado Constitution Article X, Section 20, the taxpayer's bill of rights. This effectively removed all revenue and spending limits imposed by TABOR.

The Town believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

10. Subsequent Events

Management of the Town has evaluated subsequent events through July 30, 2018, the date that the financial statements were available to be issued. No events requiring adjustment to or disclosure in the financial statements were noted.

Required Supplementary Information

Town of Wellington
Schedule of Revenues, Expenditures and Changes in Fund
Balance (Budget and Actual) - General Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,278,082	\$ 2,278,082	\$ 2,371,970	\$ 93,888
Franchise fees	158,000	158,000	174,669	16,669
Licenses and permits	525,544	525,544	510,962	(14,582)
Intergovernmental	4,600	4,600	5,479	879
Charges for services	64,434	64,434	193,554	129,120
Fines and forfeitures	15,500	15,500	9,971	(5,529)
Earnings on investments	4,400	4,400	33,310	28,910
Miscellaneous	15,100	15,100	14,665	(435)
Total revenues	3,065,660	3,065,660	3,314,580	248,920
Expenditures				
Current:				
General government:				
Legislative	207,991	207,991	262,895	(54,904)
Judicial	27,350	27,350	19,129	8,221
Administrative	246,452	246,452	259,567	(13,115)
Planning and zoning	123,800	123,800	277,214	(153,414)
Public safety:				
Police	1,160,539	1,160,539	1,102,440	58,099
Protective inspections	445,210	445,210	445,088	122
Public works:				
Sanitation	25,250	25,250	16,492	8,758
Operating	103,160	103,160	134,795	(31,635)
Cemetery	9,200	9,200	1,474	7,726
General use buildings	69,500	69,500	65,819	3,681
Parks and recreation:				
Community activities	96,800	96,800	85,594	11,206
Economic development	98,000	98,000	91,027	6,973
Library	173,265	173,265	160,637	12,628
Small equipment	49,750	49,750	49,150	600
Capital outlay	568,000	568,000	20,860	547,140
Total expenditures	3,404,267	3,404,267	2,992,181	412,086
Excess of revenues over expenditures	(338,607)	(338,607)	322,399	661,006
Other financing sources (uses)				
Transfers in	14,875	14,875	14,875	-
Transfers out	(8,000)	(8,000)	(400,000)	(392,000)
Total other financing sources (uses)	6,875	6,875	(385,125)	(392,000)
Net change in fund balance	\$ (331,732)	\$ (331,732)	(62,726)	\$ 269,006
Fund balance at beginning of year			4,493,492	
Fund balance at end of year			<u>\$ 4,430,766</u>	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenditures and Changes in Fund
Balances (Budget and Actual) - Street and Park Funds
Year Ended December 31, 2017

	Street Fund				Park Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Taxes	\$ 851,750	\$ 851,750	\$ 955,733	\$ 103,983	\$ 986,203	\$ 986,203	\$ 1,086,058	\$ 99,855
Impact fees	210,000	210,000	389,746	179,746	253,750	253,750	285,450	31,700
Licenses and permits	250	250	350	100	-	-	-	-
Charges for services	-	-	-	-	84,000	84,000	88,116	4,116
Earnings on investments	1,000	1,000	1,619	619	1,000	1,000	3,475	2,475
Contributions and grants	1,109,320	1,109,320	467,069	(642,251)	-	-	-	-
Miscellaneous	500	500	380	(120)	250	250	-	(250)
Total revenues	2,172,820	2,172,820	1,814,897	(357,923)	1,325,203	1,325,203	1,463,099	137,896
Expenditures								
Current:								
Public works/Parks and recreation:								
Administrative	95,210	95,210	99,303	(4,093)	105,465	105,465	93,457	12,008
Operating	444,457	444,457	488,408	(43,951)	399,185	399,185	342,532	56,653
Recreation	-	-	-	-	287,047	287,047	244,458	42,589
Small equipment and other	96,500	96,500	8,528	87,972	149,750	149,750	1,096	148,654
Capital outlay	1,825,820	1,825,820	1,092,137	733,683	323,000	323,000	104,882	218,118
Debt Service	-	-	-	-	269,016	269,016	270,133	(1,117)
Total expenditures	2,461,987	2,461,987	1,688,376	773,611	1,533,463	1,533,463	1,056,558	476,905
Net change in fund balances	\$ (289,167)	\$ (289,167)	126,521	\$ 415,688	\$ (208,260)	\$ (208,260)	406,541	\$ 614,801
Fund balances at beginning of year			546,105				1,214,315	
Fund balances at end of year			\$ 672,626				\$ 1,620,856	

See accompanying Independent Auditor's Report.

Other Supplementary Information

Town of Wellington
Schedule of Revenues, Expenditures and
Changes in Fund Balance (Budget and Actual)
Conservation Trust Fund

Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 66,000	\$ 66,000	\$ 75,930	\$ 9,930
Earnings on investments	250	250	430	180
Total revenues	66,250	66,250	76,360	10,110
Net change in fund balance	\$ 66,250	\$ 66,250	76,360	\$ 10,110
Fund balance at beginning of year			<u>397,698</u>	
Fund balance at end of year			<u>\$ 474,058</u>	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Water Fund

Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 1,936,000	\$ 1,936,000	\$ 1,971,328	\$ 35,328
Miscellaneous	1,000	1,000	1,764	764
Total operating revenues	1,937,000	1,937,000	1,973,092	36,092
Operating expenses				
Administrative	270,998	270,998	218,061	52,937
Operating	1,344,462	1,344,462	1,484,511	(140,049)
Small equipment	19,500	19,500	376,254	(356,754)
Total operating expenses	1,634,960	1,634,960	2,078,826	(443,866)
Operating income (loss)	302,040	302,040	(105,734)	(407,774)
Non-operating revenues (expenses)				
Property taxes	87,843	87,843	87,779	(64)
Capital contributions	2,798,904	2,798,904	3,011,652	212,748
Earnings on investments	15,000	15,000	118,185	103,185
Other non-operating revenue	62,250	62,250	-	(62,250)
Interest expense	(35,876)	(35,876)	(36,018)	(142)
Principal paid	(125,489)	(125,489)	(124,467)	1,022
Capital outlay	(5,799,634)	(5,799,634)	(516,850)	5,282,784
Total non-operating revenues (expenses)	(2,997,002)	(2,997,002)	2,540,281	5,537,283
Change in net position - budgetary basis	\$ (2,694,962)	\$ (2,694,962)	2,434,547	\$ 5,129,509
Reconciliation to GAAP Basis				
Depreciation			(660,113)	
Principal paid			124,467	
Capital outlay			516,850	
Change in net position - GAAP basis			2,415,751	
Net position at beginning of year			30,112,932	
Net position at end of year			\$ 32,528,683	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Sewer Fund

Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 1,243,615	\$ 1,243,615	\$ 1,377,728	\$ 134,113
Total operating revenues	1,243,615	1,243,615	1,377,728	134,113
Operating expenses				
Administrative	201,633	201,633	179,227	22,406
Operating	525,953	525,953	550,968	(25,015)
Small equipment	12,500	12,500	8,323	4,177
Total operating expenses	740,086	740,086	738,518	1,568
Operating income	503,529	503,529	639,210	135,681
Non-operating revenues (expenses)				
Capital contributions	1,409,950	1,409,950	1,642,450	232,500
Earnings on investments	7,500	7,500	44,923	37,423
Other nonoperating revenue	35,250	35,250	1,189	(34,061)
Interest expense	(134,197)	(134,197)	(130,023)	4,174
Principal paid	(370,835)	(370,835)	(370,835)	-
Capital outlay	(452,170)	(452,170)	(36,818)	415,352
Loan reserve	(181,896)	(181,896)	-	181,896
Total non-operating revenues (expenses)	313,602	313,602	1,150,886	837,284
Change in net position - budgetary basis	\$ 817,131	\$ 817,131	1,790,096	\$ 972,965
Reconciliation to GAAP basis				
Depreciation			(451,853)	
Principal paid			370,835	
Capital outlay			36,818	
Change in net position - GAAP basis			1,745,896	
Net position at beginning of year			18,398,707	
Net position at end of year			\$ 20,144,603	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Storm Drainage Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 453,750	\$ 453,750	\$ 517,674	\$ 63,924
Total operating revenues	453,750	453,750	517,674	63,924
Operating expenses				
Administrative	388,936	388,936	520,236	(131,300)
Operating	56,779	56,779	28,775	28,004
Small equipment	9,250	9,250	2,488	6,762
Total operating expenses	454,965	454,965	551,499	(96,534)
Operating loss	(1,215)	(1,215)	(33,825)	(32,610)
Non-operating revenues (expenses)				
Taxes	13,500	13,500	15,883	2,383
Earnings on investments	1,700	1,700	6,060	4,360
Impact fees	140,000	140,000	267,678	127,678
Grants	100,000	100,000	-	(100,000)
Other nonoperating revenue	30,700	30,700	56	(30,644)
Capital outlay	(611,300)	(611,300)	(580,998)	30,302
Transfers from other funds	-	-	400,000	400,000
Transfers to other funds	(66,600)	(66,600)	-	66,600
Total non-operating revenues (expenses)	(392,000)	(392,000)	108,679	500,679
Change in net position - budgetary basis	\$ (393,215)	\$ (393,215)	74,854	\$ 468,069
Reconciliation to GAAP basis				
Depreciation			(85,994)	
Capital outlay			580,998	
Change in net position - GAAP basis			569,858	
Net position at beginning of year			2,612,607	
Net position at end of year			\$ 3,182,465	

See accompanying Independent Auditor's Report.

Town of Wellington
Schedule of Changes in Fiduciary Net Position (Budget and Actual)
Library Trust Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Library impact fees	\$ 43,750	\$ 43,750	\$ 50,751	\$ 7,001
Grants and contributions	375	375	-	(375)
Total additions	44,125	44,125	50,751	6,626
Deductions				
Library expenditures	175	175	-	175
Transfer out	14,875	14,875	14,875	-
Total deductions	15,050	15,050	14,875	175
Change in net position	\$ 29,075	\$ 29,075	35,876	\$ 6,801
Net position at beginning of year			<u>323,607</u>	
Net position at end of year			<u>\$ 359,483</u>	

See accompanying Independent Auditor's Report.

State Compliance Section

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

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Wellington
	YEAR ENDING: December 31, 2017

This Information From The Records Of: Town of Wellington	Prepared By: Keith Wilson Phone: 970-568-338.1
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	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				
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)	666,213
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	436,774
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	
3. Other local imposts (from page 2)	1,073,729	c. Other	
4. Miscellaneous local receipts (from page 2)	2,350	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	105,462
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,208,449
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	1,076,079	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government from a e2	271,750	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,347,829	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)	1,208,449

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 Disbursement	D. Ending Balance	E. Reconciliation
	546,105	1,347,829	1,208,449	685,485	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
 YEAR ENDING (mmi}y):
 December 31 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	1,620
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	570,247	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	389,746	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	113,736	g. Other Misc. Receipts	730
6. Total (1. through 5.)	1,073,729	h. Other	
c. Total (a. + b.)	1,073,729	i. Total (a. through h.)	2,350
	(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	242,535	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	29,215	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify) CDOT Grant		f. Other Federal	
f. Total (a. through e.)	29,215	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	271,750	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		1,142	1,142
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			
(3). System Preservation		563,571	563,571
(4). System Enhancement & Operation		101,500	101,500
(5). Total Construction (1) + (2) + (3) + (4)	0	665,071	665,071
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	666,213	666,213
			(Carry forward to page 1)

Notes and Comments:

County Road & Bridge Tax:	32,132	Street Cut Permits:	350
Specific Ownership Tax:	<u>81,604</u>	Misc. Revenue:	<u>380</u>
	<u>113,736</u>		730