

**TOWN OF PALMER LAKE, COLORADO**  
**FINANCIAL STATEMENTS**  
**December 31, 2016**



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# Green & Associates LLC

Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Town of Palmer Lake, Colorado

We have audited the accompanying financial statements of the governmental activities, business activities and each major fund and the aggregate remaining fund information of the Town of Palmer Lake, Colorado as of and for the year ended December 31, 2016, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### ***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 of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business activities, each major fund and aggregate remaining fund information of the Town of Palmer Lake, Colorado, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other-Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, Schedule of Contributions – Multiyear, Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios Multiyear, Schedule of the District's Proportionate Share of the Net Pension Liability – FPPA, and Schedule of Pension Contributions – FPPA on pages 3 through 7 and 32 through 39 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Palmer Lake, Colorado's basic financial statements as a whole. The combining statements, the budget to actual schedules and the Local Highway Finance Report on pages 40-48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements, the budget to actual schedules and the Local Highway Finance Report is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 as a whole.



Brighton, Colorado  
August 14, 2017

## **Management's Discussion and Analysis**

## ***Town of Palmer Lake, Colorado***

### **Management's Discussion and Analysis**

#### **Introduction:**

Management's Discussion and Analysis is intended to provide the reader and user of our financial statements with a narrative overview of the Town's financial activities. Management's Discussion and Analysis (MD&A) should be read in conjunction with the Town's financial statements and notes to the financial statements, beginning on page 8.

The Town of Palmer Lake was founded in 1871 by General William Jackson Palmer and was incorporated in 1889 as a political subdivision of the State of Colorado. The Town operates under a Mayor-Council form of government. Under the guidance of the central administration which includes financial and technical support, the Town provides a range of services. The services include public safety (police and volunteer fire), public utilities (water), infrastructure (drainage, streets and public buildings) and cultural and recreational activities (parks, trails, recreation programs and library). The Town is nestled at the base of the pike National Forest in the northwest corner of El Paso County, Colorado. The population of Palmer Lake, Colorado is estimated at approximately 2,200 people.

#### **Financial Highlights**

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (Net Position) by \$5,273,759 at December 31, 2016. Of this amount \$1,799,873 was unrestricted and available to fund future obligations of the Town.
- Net position of governmental activities increased by \$262,256, and net position of business-type activities increased by \$46,861.
- As of December 31, 2016 the General fund had a fund balance of \$1,339,345 which is an increase of \$213,623 from December 31, 2015. Of this amount \$1,298,617 was unassigned and available for use to meet the Town's current obligations.
- As of December 31, 2016 the Water fund had a fund balance of \$3,455,905 which is a increase of \$46,861 from December 31, 2015.

#### **Overview of the Financial Statements of the Town:**

The audited financial statements of the Town are:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds
- Statement of Net Position – Proprietary Fund
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
- Statement of Cash Flows – Proprietary Fund
- Notes to the Financial Statements

The financial statements of the Town are presented as a special purpose government engaged in business and government type activities. These financial statements distinguish between the functions of the Town that will be principally supported by taxes.

The **Statement of Net Position** is prepared using the full accrual basis of accounting and provides information about what is owned (assets) by the Town, what is owed (liabilities) by the Town, and what is the Town's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the Town is improving, deteriorating, or maintaining a status quo.

The **Statement of Activities** provides information about the components – Program Expenses, Program Revenue and General Revenue – of the Town's annual operating activities and how those activities affected net position during the current fiscal year.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 are governmental or proprietary funds.

### **Governmental Funds**

The **Balance Sheet – Governmental Funds** presents the financial position of the Town's funds using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The **Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds** presents the activities of the Town's funds using the modified accrual method of accounting which includes expenditures for capital assets and debt service obligations. This method approximates the reporting on a cash basis and closely follows the budgetary method.

The two reconciliations, which accompany these governmental funds statements, provide explanations of the specific differences in these statements as compared to the Statement of Net position and the Statement of Activities.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### ***Proprietary Funds***

Enterprise funds are used to report any activity for which it is primarily funded by charging a fee to external users for goods and services, and operate in a manner similar to private sector businesses. The Town utilizes one enterprise fund to account for water operations. The

proprietary fund financial statements provide the same type of information as shown in the government-wide financial statements.

The **Notes to Financial Statements** provide additional, required disclosures about the Town, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

**Condensed Comparative Financial Information:**

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 2,044,689	\$ 1,583,581	\$ 990,332	\$ 947,954	\$ 3,035,021	\$ 2,531,535
Capital Assets	508,329	412,390	3,771,622	3,825,629	4,279,951	4,238,019
Total Assets	<u>2,553,018</u>	<u>1,995,971</u>	<u>4,761,954</u>	<u>4,773,583</u>	<u>7,314,972</u>	<u>6,769,554</u>
Deferred Outflows	58,440	56,104	-	-	58,440	56,104
Long-Term Debt	-	-	1,236,191	1,315,178	1,236,191	1,315,178
Other Liabilities	116,423	172,001	69,858	49,361	186,281	221,362
Total Liabilities	<u>116,423</u>	<u>172,001</u>	<u>1,306,049</u>	<u>1,364,539</u>	<u>1,422,472</u>	<u>1,536,540</u>
Deferred Inflows	677,181	324,476	-	-	677,181	324,476
Net Position						
Net investment in capital assets	508,329	412,390	2,535,431	2,510,451	3,043,760	2,922,841
Restricted	430,126	473,690	-	-	430,126	473,690
Unrestricted	879,399	669,518	920,474	898,593	1,799,873	1,568,111
Total Net Position	<u>\$ 1,817,854</u>	<u>\$ 1,555,598</u>	<u>\$ 3,455,905</u>	<u>\$ 3,409,044</u>	<u>\$ 5,273,759</u>	<u>\$ 4,964,642</u>

**Statement of Activities**

Statement of Activities	Governmental Activities		Business-type Activities		Primary Government	
	2016	2015	2016	2015	2016	2015
Program Expenses	\$ 1,192,768	\$ 984,312	\$ 883,999	\$ 906,506	\$ 2,076,767	\$ 1,890,818
Program Revenues	90,935	49,116	847,623	798,767	938,558	847,883
Net Program Expense	<u>1,101,833</u>	<u>935,196</u>	<u>36,376</u>	<u>107,739</u>	<u>1,138,209</u>	<u>1,042,935</u>
General Revenues	1,364,089	1,426,317	83,237	40,614	1,447,326	1,466,931
Change in Net Position	262,256	491,121	46,861	(67,125)	309,117	423,996
Net Position, Beginning of Year - (restated)	1,555,598	1,064,477	3,409,044	3,476,169	4,964,642	4,540,646
Net Position, End of Year	<u>\$ 1,817,854</u>	<u>\$ 1,555,598</u>	<u>\$ 3,455,905</u>	<u>\$ 3,409,044</u>	<u>\$ 5,273,759</u>	<u>\$ 4,964,642</u>

This foregoing information is a summary of the financial information contained in the Town's financial statements. For more about the information contained in this condensed, comparative



financial information, we recommend a close review of the accompanying audited financial statements beginning on page 8.

### **Discussion of Financial Position and Operating Activities**

Net position at the end of December 2016 was \$1,817,854 for the governmental activities, \$3,455,905 for the business-type activities and \$5,273,759 for the primary government. This is from revenues that exceeded expenses by \$309,117 for the primary government.

The Town restricted three percent (3%) of its general revenues for emergencies in accordance with TABOR requirements. The Town had a TABOR reserve of \$40,728 at December 31, 2016.

The Town's total assets are comprised primarily cash and equivalents, receivables for water service and long term capital assets. The Town's total liabilities are comprised primarily of long term debt and current liabilities related to ongoing operations.

In 2016, program expense exceeded program revenues by \$1,138,209 for the primary government. This was offset by net general revenues of \$1,447,326, which resulted in an overall increase in net position. See page 8 of the accompanying Financial Statements for details of these revenues and expenses.

### **Fund Discussion**

#### **Governmental Funds**

The Governmental Fund – General Fund balance increased from \$1,125,722 in 2015 to \$1,339,345 in 2016. The fund balance includes \$40,728 for emergencies in accordance with TABOR requirements. The assets and liabilities are comprised primarily of cash and property tax revenues to be realized in 2016. As of December 31, 2016 the Town's combined fund balance for all governmental funds was \$1,366,658. This is an increase of \$163,163.

#### **General Fund Budgetary Discussion**

Actual revenues for 2016 were \$1,447,145 less than the final budget. Actual expenditures for 2016 were \$103,685 more than the final budget primarily because of the expenditure of grant funds. See page 11 of the accompanying financial statements for more detail. The budget was not amended in 2016.

#### **Proprietary Fund**

The Water Fund balance increased from \$3,409,044 in 2015 to \$3,455,905 in 2016. The assets and liabilities are comprised primarily of cash, water accounts receivable and capital assets. Actual revenues for 2016 were \$85,743 more than the final budget. Actual expenditures for 2016 were \$554,021 less than the final budget. See page 47 of the accompanying financial statements for more detail. The budget was not amended in 2016.

### **Capital Assets and Long-term Obligations**

**Capital Assets.** At the end of 2016 the Town had \$4,279,951 invested in a broad range of capital assets including major infrastructure such as buildings, roads, bridges, storm water drainage, parks and recreation facilities and water lines and distribution systems. This amount represents a net increase of \$41,932 from the prior year. More detailed information on the Town's capital assets is presented in Note 3 on page 22 of the financial statements.

**Long-term Debt.** At year-end the Town has no long term debt in the governmental funds. The Town had a Drinking Water Revolving Direct Loan outstanding in the amount of \$1,236,191 at December 31, 2016 in the water fund. This is a decrease of \$78,987 from the prior year.

There were no additions to long term debt during the year. For additional information on the Town's long-term debt see Note 4 of the Notes to the Financial Statements on page 23.

### **Economic Factors and Next Year's Budget**

Continuing a conservative approach to budgeting, the Town of Palmer Lake hopes to see a slightly more positive budget based on improved economic growth along the Southern Front Range.

**Requests for Information.** This financial report is designed to provide a general overview of the Town of Palmer Lake, Colorado's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Tara Berreth, Town Clerk at the Town of Palmer Lake 42 Valley Crescent, PO Box 208, Palmer Lake, CO 80133.

### **Roster of Town Officials**

#### **Town Officials**

Tara Berreth – Town Clerk  
Bob Radosevich – Deputy Town Clerk

#### **Board of Trustees**

John Cressman - Mayor  
Rich Kuehster – Mayor Pro-tem  
Mitch Davis - Trustee  
Paul Banta - Trustee  
Mark Schuler - Trustee  
Bob Mutu - Trustee  
Glant Havenar - Trustee

## **Basic Financial Statements**

**Town of Palmer Lake, Colorado**  
**Statement of Net Position**  
**December 31, 2016**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,343,602	\$ 910,925	\$ 2,254,527
Due from County Treasurer	39,391	-	39,391
Accounts receivable	-	79,407	79,407
Other receivables	16,361	-	16,361
Taxes receivable	645,162	-	645,162
Total Current Assets	<u>2,044,516</u>	<u>990,332</u>	<u>3,034,848</u>
<b>Noncurrent Assets</b>			
Net pension asset - SWDB	173	-	173
Capital assets			
Nondepreciable	-	560,000	560,000
Depreciable	1,795,857	6,646,638	8,442,495
Total Capital Assets	<u>1,795,857</u>	<u>7,206,638</u>	<u>9,002,495</u>
Less accumulated depreciation	<u>(1,287,528)</u>	<u>(3,435,016)</u>	<u>(4,722,544)</u>
Net Capital Assets	<u>508,329</u>	<u>3,771,622</u>	<u>4,279,951</u>
Total Noncurrent Assets	<u>508,502</u>	<u>3,771,622</u>	<u>4,280,124</u>
Total Assets	<u>2,553,018</u>	<u>4,761,954</u>	<u>7,314,972</u>
<b>Deferred Outflows of Resources</b>			
Volunteer fireman's pension	35,919	-	35,919
SWDB pension	22,521	-	22,521
Total Deferred Outflows of Resources	<u>58,440</u>	<u>-</u>	<u>58,440</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	32,696	44,647	77,343
Compensated absences	15,294	21,090	36,384
Accrued interest	-	4,121	4,121
Bonds payable, current portion	-	80,619	80,619
Total Current Liabilities	<u>47,990</u>	<u>150,477</u>	<u>198,467</u>
<b>Noncurrent Liabilities</b>			
Long-term debt, net of current portion	-	1,155,572	1,155,572
Net pension liability - volunteer	68,433	-	68,433
Total Long Term Liabilities	<u>68,433</u>	<u>1,155,572</u>	<u>1,224,005</u>
Total Liabilities	<u>116,423</u>	<u>1,306,049</u>	<u>1,422,472</u>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	645,162	-	645,162
Volunteer fireman's pension	31,815	-	31,815
SWDB pension	204	-	204
Total Deferred Inflows of Resources	<u>677,181</u>	<u>-</u>	<u>677,181</u>
<b>Net Position</b>			
Net investment in capital assets	508,329	2,535,431	3,043,760
Restricted for emergencies (TABOR)	40,728	-	40,728
Restricted for fire protection	27,955	-	27,955
Restricted for parks and recreation	75,868	-	75,868
Restricted for road improvements	285,575	-	285,575
Unrestricted	879,399	920,474	1,799,873
Total Net Position	<u>\$ 1,817,854</u>	<u>\$ 3,455,905</u>	<u>\$ 5,273,759</u>

The accompanying notes are an integral part of these financial statements

**Town of Palmer Lake, Colorado**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

Functions / Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	401,967	16,161	21,555	-	\$ (364,251)	\$ -	\$ (364,251)
Public safety	473,068	-	53,219	-	(419,849)	-	(419,849)
Highways and streets	281,129	-	-	-	(281,129)	-	(281,129)
Culture and recreation	36,604	-	-	-	(36,604)	-	(36,604)
Interest on long term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>1,192,768</u>	<u>16,161</u>	<u>74,774</u>	<u>-</u>	<u>(1,101,833)</u>	<u>-</u>	<u>(1,101,833)</u>
Business-type activities:							
Water operations	883,999	847,623	-	-	-	(36,376)	(36,376)
Total Business-Type Activities	<u>883,999</u>	<u>847,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,376)</u>	<u>(36,376)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>2,076,767</u>	<u>863,784</u>	<u>74,774</u>	<u>-</u>	<u>(1,101,833)</u>	<u>(36,376)</u>	<u>(1,138,209)</u>
General Revenues							
Property taxes					322,487	-	322,487
Specific ownership taxes					37,250	-	37,250
Sales and use taxes					620,057	-	620,057
Franchise taxes					109,634	-	109,634
Intergovernmental					133,327	-	133,327
Other taxes					14,428	-	14,428
Tap fees and development charges					-	80,000	80,000
Investment income					1,341	3,237	4,578
County Treasurer fees					(3,233)	-	(3,233)
Other					57,149	-	57,149
Gain (loss) on sale of assets					71,649	-	71,649
Total General Revenues and Transfers					<u>1,364,089</u>	<u>83,237</u>	<u>1,447,326</u>
					262,256	46,861	309,117
					1,555,598	3,409,044	4,964,642
					<u>1,817,854</u>	<u>3,455,905</u>	<u>5,273,759</u>

## **Fund Financial Statements**

**Town of Palmer Lake, Colorado**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	<u>General</u>	<u>Road Improvement</u>	<u>Police</u>	<u>Fire</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 954,204	\$ 285,575	\$ -	\$ 27,955	\$ 75,868	\$ 1,343,602
Due from County Treasurer	39,391	-	-	-	-	39,391
Due from other funds	362,085	-	-	-	-	362,085
Other receivables	16,361	-	-	-	-	16,361
Taxes receivable	258,066	129,032	180,645	77,419	-	645,162
<b>Total Assets</b>	<u>\$ 1,630,107</u>	<u>\$ 414,607</u>	<u>\$ 180,645</u>	<u>\$ 105,374</u>	<u>\$ 75,868</u>	<u>\$ 2,406,601</u>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 32,696	\$ -	\$ -	\$ -	\$ -	\$ 32,696
Due to other funds	-	-	305,038	-	57,047	362,085
Other accrued liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>32,696</u>	<u>-</u>	<u>305,038</u>	<u>-</u>	<u>57,047</u>	<u>394,781</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	258,066	129,032	180,645	77,419	-	645,162
<b>Total Deferred Inflows of Resources</b>	<u>258,066</u>	<u>129,032</u>	<u>180,645</u>	<u>77,419</u>	<u>-</u>	<u>645,162</u>
<b>Fund Balance</b>						
Restricted	40,728	285,575	-	27,955	75,868	430,126
Unassigned	1,298,617	-	(305,038)	-	(57,047)	936,532
<b>Total Fund Balance</b>	<u>1,339,345</u>	<u>285,575</u>	<u>(305,038)</u>	<u>27,955</u>	<u>18,821</u>	<u>1,366,658</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,630,107</u>	<u>\$ 414,607</u>	<u>\$ 180,645</u>	<u>\$ 105,374</u>	<u>\$ 75,868</u>	<u>\$ 2,406,601</u>

Amounts reported for governmental activities in the statement:

Total fund balances - governmental funds \$ 1,366,658

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

Capital assets 1,795,857  
Accumulated depreciation (1,287,528)

Pension related assets, liabilities, deferred inflows and deferred outflows of resources are not current resources and are not reported in the governmental funds. (41,839)

Long-term liabilities including compensated absences are not due and payable in the current year and, therefore, are not reported in the funds.

Compensated absences (15,294)

Net position of governmental activities \$ 1,817,854

**Town of Palmer Lake, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	General	Road Improvement	Police	Fire	Nonmajor Governmental	Total
Revenues						
Taxes	\$ 408,492	\$ 266,635	\$ 297,298	\$ 120,293	\$ 11,138	\$ 1,103,856
Licenses and permits	16,161	-	-	-	-	16,161
Intergovernmental	10,189	70,595	11,766	11,766	29,011	133,327
Fines and forfeits	11,871	-	-	-	-	11,871
Investment income	1,341	-	-	-	-	1,341
Grants	21,555	-	-	53,219	-	74,774
Proceeds from sales of assets	71,649	-	-	-	-	71,649
Other	33,151	100	3,153	7,340	1,534	45,278
Total Revenues	<u>574,409</u>	<u>337,330</u>	<u>312,217</u>	<u>192,618</u>	<u>41,683</u>	<u>1,458,257</u>
Expenditures						
Current						
General government	377,733	-	-	-	1,059	378,792
Public safety	-	-	310,907	141,335	-	452,242
Highways and streets	-	248,287	-	-	-	248,287
Culture and recreation	-	-	-	-	36,604	36,604
County Treasurer fees	938	1,002	905	388	-	3,233
Capital outlay	6,120	114,816	-	55,000	-	175,936
Total Expenditures	<u>384,791</u>	<u>364,105</u>	<u>311,812</u>	<u>196,723</u>	<u>37,663</u>	<u>1,295,094</u>
Excess of Revenues Over (Under) Expenditures	189,618	(26,775)	405	(4,105)	4,020	163,163
Other Financing Sources and Uses						
Transfers	24,005	-	-	-	(24,005)	-
Total Other Financing Sources and Uses	<u>24,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,005)</u>	<u>-</u>
Net Change in Fund Balance	<u>213,623</u>	<u>(26,775)</u>	<u>405</u>	<u>(4,105)</u>	<u>(19,985)</u>	<u>163,163</u>
Fund Balance, Beginning	1,125,722	312,350	(305,443)	32,060	38,806	1,203,495
Fund Balance, Ending	<u>\$ 1,339,345</u>	<u>\$ 285,575</u>	<u>\$ (305,038)</u>	<u>\$ 27,955</u>	<u>\$ 18,821</u>	<u>\$ 1,366,658</u>

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

Net change in Fund Balances - total governmental funds	\$ 163,163
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities	
Capital outlay	175,936
Depreciation	(79,997)
Changes in pension related assets, liabilities, deferred inflows and deferred outflows of resources do not utilize current resources and are not reported in the governmental funds.	8,400
Principal payments on bonds are reported as expenditures on governmental funds	-
Accrued vacation is not considered a current economic resource and therefore is not included in the governmental funds. Change in compensated absences for the year ended:	(5,246)
Change in net position - governmental activities	<u>\$ 262,256</u>



**Town of Palmer Lake, Colorado**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2016**

	<b>Water Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 910,925
Accounts receivable	79,407
Total Current Assets	990,332
<b>Capital Assets</b>	
Non Depreciable	560,000
Depreciable	6,646,638
Total Capital Assets	7,206,638
Less accumulated depreciation	(3,435,016)
Net Capital Assets	3,771,622
Total Noncurrent Assets	3,771,622
Total Assets	4,761,954
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	44,647
Compensated absences	21,090
Accrued interest	4,121
Bonds payable, current portion	80,619
Total Current Liabilities	150,477
<b>Long Term Liabilities</b>	
Bonds payable, net of current portions	1,155,572
Total Long Term Liabilities	1,155,572
Total Liabilities	1,306,049
<b>Net Position</b>	
Net investment in capital assets	2,535,431
Unrestricted	920,474
Total Net Position	\$ 3,455,905

The accompanying notes are an integral part of these financial statements

**Town of Palmer Lake, Colorado**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	<b>Water Fund</b>
<b>Operating Revenues</b>	
Water sales and fees	\$ 843,657
Other income	3,966
Total Operating Revenues	847,623
 <b>Operating Expenses</b>	
General and Administration	205,568
Operations	467,866
Depreciation expense	184,857
Total Operating Expenses	858,291
Operating Income	(10,668)
 <b>Nonoperating Revenues</b>	
Water tap fees and development charges	80,000
Interest income	3,237
Interest expense	(25,708)
Total Nonoperating Revenues	57,529
 <b>Change in Net Position</b>	46,861
<b>Net Position, Beginning</b>	3,409,044
<b>Net Position, Ending</b>	3,455,905

The accompanying notes are an integral part of these financial statements

**Town of Palmer Lake, Colorado**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	<u>Water Fund</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 860,358
Cash paid to suppliers	(458,639)
Cash paid to employees	(194,095)
Net cash provided by operating activities	<u>207,624</u>
Cash Flows From Investing Activities	
Investment income	3,237
Net cash provided by noncapital financing activities	<u>3,237</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Cash received from connection charges	80,000
Net cash provided by noncapital financing activities	<u>80,000</u>
<b>Cash Flows From Capital And Related Financing Activities</b>	
Acquisitions and construction of capital assets	(130,850)
Principal paid on bonds	(78,987)
Interest paid on bonds	(25,911)
Net cash (used) in capital and related financing activities	<u>(235,748)</u>
Net Change in Cash	55,113
Cash and cash equivalents, beginning	855,812
Cash and cash equivalents, ending	<u>\$ 910,925</u>
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities</b>	
Net Operating Income	\$ (10,668)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	184,857
Changes in assets and liabilities	
Accounts receivable	12,735
Accounts payable	36,597
Other accrued liabilities	(5,624)
Accrued vacation	(10,273)
Net Cash Provided by Operating Activities	<u>\$ 207,624</u>

The accompanying notes are an integral part of these financial statements

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 1 Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Town of Palmer Lake, Colorado (the Town) was organized as a statutory town in Colorado. The Town provides general government, public works (roads and streets), police, fire and water for the geographical area organized as the Town of Palmer Lake, Colorado.

The Governmental Accounting Standards Board (GASB) is the authoritative body and the Town follows all GASB accounting pronouncements, which provides guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The Town is not financially accountable for any other organization, nor is the Town a component unit of any other primary governmental entity.

**Basis of Presentation**

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of information.

***Government-wide Financial Statements***

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental and proprietary fund activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the primary government activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the Town, with certain limited exceptions. The comparison of program expenses with program revenue identifies the extent to which each function is self-financing or draws from the general revenue of the Town.

***Fund Accounting***

During the year the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 1 Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

The accounts of the Town are organized on the basis of funds each of which is considered a separate accounting entity. In the fund financial statements, the Town reports the following major governmental funds:

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

Road Improvement Fund – The Road Improvement Fund accounts for the funds to be used for road infrastructure and maintenance and improvements.

Police Fund – The Police Fund accounts for funds to be used for police operations.

Fire Fund – The Fire Fund accounts for funds to be used for fire protection.

Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public be recovered primarily through user charges. The Town reports the following major enterprise funds:

Water Fund – The Water fund accounts for the costs related to providing water services to the Town.

***Measurement Focus and Basis of Accounting***

***Government-wide Financial Statement***

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Town are included in the statement of net position.

***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 1 Summary of Significant Accounting Policies (Continued)**

***Revenue***

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the Town receives value without directly giving value in return, include sales taxes, grants, entitlements and donations. Revenue from sales tax is recognized in the fiscal year for which the taxes are collected by the vendor. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Program revenues consist of revenues that are associated with the governmental services such as licenses, permits and water sales.

***Expenses/Expenditures***

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

**Property Taxes**

Property taxes attach an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on January 1<sup>st</sup> and are payable either in one installment on or before April 30<sup>th</sup>, or in two installments due on or before February 28<sup>th</sup> and June 15<sup>th</sup> of each year. The collections and assessments are done by El Paso County and are remitted to the Town monthly. Property taxes, which are due to be paid in the next period and representing an enforceable lien at January 1<sup>st</sup> of the next year, have been recorded as a receivable and a deferred inflow of resources in the year in which they are levied. Property tax revenues are recognized when they are collected by El Paso County.

***Assets and Liabilities***

Cash and cash equivalents- The Town follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based on each fund's average equity balance in total cash. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 1 Summary of Significant Accounting Policies (Continued)**

***Assets and Liabilities (Continued)***

Capital assets - are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of more than one year and exceed the following dollar amount:

<u>Assets</u>	<u>Dollar Value</u>	<u>Useful Life</u>
Land	No minimum	30 years
Buildings	No minimum	5-10 years
Building improvements	\$ 5,000	5-10 years
Furniture and equipment	\$ 5,000	30 years
Infrastructure	\$ 5,000	10 years

Capital assets are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. Depreciation is computed using the straight-line method over the asset's estimated economic useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets since their useful life often extends beyond most other capital assets and are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

***Long-Term Obligations***

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities or enterprise fund type statement of net position. Bond issuance costs are expensed during the current period. Bond premiums and discounts are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances and discounts are reported as other financing sources. The issuance costs related to the debt is reported as an expenditure in the current period.

Compensated absences – The Town's personnel policy states that employees may accrue unused vacation and sick pay benefits. The amount each employee can accrue varies depending on length of service. In the government-wide statements, vacation and sick pay is accrued when earned by the employee and reported as a liability. In the governmental funds vacation pay that is expected to be liquidated with current financial resources are reported as a fund liability. Amounts not expected to be liquidated with current financial resources are not reported in the governmental funds.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 1 Summary of Significant Accounting Policies (Continued)**

***Assets and Liabilities (Continued)***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

***Net Position***

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Town utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

***Fund Balance***

*Nonspendable*- consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$0 as of December 31, 2016.

*Restricted* - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the Town to establish Emergency reserves (see Note 4). A reservation of \$40,728 of the General Fund balance has been made in compliance with this requirement. The Town has \$313,530 restricted for fire, police, roads and maintenance programs and \$75,868 restricted for conservation trust programs.

*Committed*- *General Fund* - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees formally removes or changes the specified uses. The Town had a committed fund balance of \$0 as of December 31, 2016.

*Assigned* – Includes all amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Trustees. As of December 31, 2016 the assigned fund balance was \$0.

*Unassigned*- consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.



**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 1 Summary of Significant Accounting Policies (Continued)**

***Fund Balance (Continued)***

The Town has not adopted fund balance policies; therefore the Town follows the guidance in accordance with GASB 54 and apply resources in the following order: restricted, committed, assigned and unassigned.

**Interfund Transactions**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year-end outstanding balances are reported as due to / due from other funds. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Interfund balances represent amounts paid or received by the General Fund on behalf of the Water Fund as of December 31, 2016 and total \$0. The balances result from the time lag between the dates of the transactions and the dates of the reimbursements.

**Budgets and Budgetary Accounting**

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

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

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days. after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The Town Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Town Board or revised by the Town Board.

The general, police, fire, special investigations, lake maintenance and parks fund had expenditures in excess of budgeted appropriations for the year ended December 31, 2016, which may be a violation of State budget law.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 2 Cash and Investments**

**Cash Deposits**

The Town maintains a cash pool that is available for use by all funds. Each fund's portion of the pool is displayed on the combined balance sheet as cash and "Cash equivalents". As of December 31, 2016, the Town's cash deposits had a carrying balance of \$992,951 with corresponding bank balance of \$1,028,455 of which \$250,000 is federally insured.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Town had \$778,455 collateralized under PDPA.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2016, none of the Town's bank deposits were exposed to custodial credit risk.

**Investments**

Colorado statutes specify in which investment instruments the units of local government may invest:

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

At December 31, 2016 Town had \$559,771 invested in COLOTRUST, which are investment vehicles established for government entities in Colorado to pool surplus funds. As an investment pool, the trusts operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner.

The Trust invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include US Treasuries, US Agencies, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA) The Trust operates similar to a 2a7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. The Trusts are rated AAA by the Standard & Poor's Corporation.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 2 Cash and Investments (Continued)**

**Investments (Continued)**

Designated custodial banks provide safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. As of December 31, 2016 the Board had not adopted a formal investment policy.

In accordance with GASB 72 *Certain External Investment Pools and Pool Participants*, the Town categorizes its fair value measurements 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. The Colotrust accounts are valued at amortized cost.

At December 31, 2016 the Town had \$702,105 invested in a money market account with Wells Fargo. The money market was not rated.

A summary of cash and cash equivalents at December 31, 2016 is as follows:

Cash on hand	\$ 300
Cash deposits	992,951
Money market	702,105
COLOTRUST	559,171
	<hr/>
Total cash and cash equivalents	<u>\$ 2,254,527</u>

**Note 3 Capital Assets**

A summary of changes to capital assets for 2016 is as follows:

<b>Governmental Activities</b>	Balance at 12/31/2015	Additions	Disposals	Balance at 12/31/2016
Depreciable Capital Assets				
Buildings	160,480	-	-	160,480
Roads and drainage	293,773	114,816	-	408,589
Equipment	1,165,668	61,120	-	1,226,788
Total Depreciable Capital Assets	<u>1,619,921</u>	<u>175,936</u>	<u>-</u>	<u>1,795,857</u>
Less Accumulated Depreciation				
Buildings	(56,659)	(5,216)	-	(61,875)
Roads and drainage	(397,069)	(18,116)	-	(415,185)
Equipment	(753,803)	(56,665)	-	(810,468)
Total Accumulated Depreciation	<u>(1,207,531)</u>	<u>(79,997)</u>	<u>-</u>	<u>(1,287,528)</u>
Net Capital Assets	<u>\$ 412,390</u>	<u>\$ 95,939</u>	<u>\$ -</u>	<u>\$ 508,329</u>

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 3 Capital Assets (Continued)**

**Depreciation Expense By Function**

General Government	\$ 17,929
Public Safety	29,226
Highways and Streets	32,842
Culture and Recreation	-
Total Depreciation Expense	<u>\$ 79,997</u>

<b>Business-type Activities</b>	Balance at 12/31/2015	Additions	Disposals	Balance at 12/31/2016
<b>Nondepreciable</b>				
Land / water rights	\$ 560,000	\$ -	\$ -	\$ 560,000
Total Nondepreciable	<u>560,000</u>	<u>-</u>	<u>-</u>	<u>560,000</u>
<b>Depreciable</b>				
Reservoirs, lakes	150,233	-	-	150,233
Water facility	3,913,360	-	-	3,913,360
Shop building	121,825	-	-	121,825
Collection / transmission / distribution	1,328,001	109,232	-	1,437,233
Wells	846,767	-	-	846,767
General equipment	155,602	21,618	-	177,220
Total Depreciable	<u>6,515,788</u>	<u>130,850</u>	<u>-</u>	<u>6,646,638</u>
Total Capital Assets	<u>7,075,788</u>	<u>130,850</u>	<u>-</u>	<u>7,206,638</u>
<b>Less Accumulated Depreciation</b>				
Reservoirs, lakes	(99,770)	-	-	(99,770)
Water facility	(1,787,542)	(137,613)	-	(1,925,155)
Shop building	(92,589)	(4,873)	-	(97,462)
Collection / transmission / distribution	(885,851)	(19,449)	-	(905,300)
Wells	(217,415)	(16,935)	-	(234,350)
General equipment	(166,992)	(5,987)	-	(172,979)
Total Accumulated Depreciation	<u>(3,250,159)</u>	<u>(184,857)</u>	<u>-</u>	<u>(3,435,016)</u>
Net Capital Assets	<u>\$ 3,825,629</u>	<u>\$ (54,007)</u>	<u>\$ -</u>	<u>\$ 3,771,622</u>

**Note 4 Long-Term Liabilities**

Changes in Long-term Debt for the year ended December 31, 2016 were:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
CWPDA Bond	<u>1,315,178</u>	<u>-</u>	<u>78,987</u>	<u>1,236,191</u>	<u>80,619</u>
Total Long-term Debt	<u>\$ 1,315,178</u>	<u>\$ -</u>	<u>\$ 78,987</u>	<u>\$ 1,236,191</u>	<u>\$ 80,619</u>

**Drinking Water Revolving Fund Direct Loan**

On July 22, 2009, the Town borrowed \$1,862,552 through the Colorado Water Resources & Power Development Authority – Drinking Water Revolving Fund Direct Loan, with an interest rate of 2% to fund water resource projects. The loan is payable from and collateralized by the Town's water revenues in the amount of approximately \$1,731,536 through 2030. Principal and interest paid for the current year and pledged revenues received were each \$104,941. The proportion of the pledged revenue to total water revenues is not estimable because annual total fees collected fluctuate. Interest on the bonds is due each May 1 and November 1 commencing November 1, 2010. Principal is due annually on November 1 through 2030. Future maturities are as follows:

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 4 Long-Term Liabilities (Continued)**

Year ending December 31,	Principal	Interest	Total
2017	80,619	24,322	104,941
2018	82,239	22,702	104,941
2019	82,892	22,049	104,941
2020	85,578	19,363	104,941
2021	87,288	17,653	104,941
2022-2026	463,530	61,175	524,705
2027-2030	<u>354,045</u>	<u>14,262</u>	<u>368,307</u>
Total	<u>\$ 1,236,191</u>	<u>\$ 181,526</u>	<u>\$ 1,417,717</u>

**Note 5 Pension Plans**

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

**Statewide Defined Benefit Pension Plan- Police Officers**

***Plan Description-*** The Town contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association ("FPPA"). The net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDBP have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Plan covers substantially all full-time employees of participating fire or police department in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan was established in 1980 pursuant to Colorado Revised Statutes. Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

Members included are active employees who are full-time salaried employees of a participating municipality, fire protection district, fire authority, or count improvement district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection. Also included are employees of any employer that covers member under the federal Social Security Act or any count that chooses to affiliate with the Fire & Police Pension Association and that covers salaried employees whose duties are directly involved with the provision of law enforcement or fire protection as certified by the county under the Social Security Act.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 5 Pension Plans (Continued)**

The Plan assets are included in the Fire & Police Members' Investment Fund and the Fire & Police Members' Self-Directed Investment Fund. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111 or by calling FPPA at 770-3772 in the Denver Metro area, or 1-800-332-FPPA(3772) from outside the metro area.

***Funding Policy*** -The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can be amended by state statute or by election of the membership. Members of the Plan and their employers are contributing at the rate of 8.5% of base salary for a total contribution rate of 16.5% through 2015. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contributions rates will increase .5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5% of base salary through 2015. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution increase .5% annual beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%. The Town's contributions to the Statewide Defined Benefit Plan for the years ending December 31, 2014, 2015 and 2016 were \$3,807 \$3,807 and \$8,560, respectively, equal to their required contributions for each year. The contribution requirements of the Death and Disability coverage for the Town are 2.6%. The contribution for the Statewide Death and Disability Plan as of December 31, 2014, 2015 and 2016 was \$1,237, \$1,237 and \$2,782, respectively.

***Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-*** At December 31, 2016, the Town reported a net pension liability(asset) of (\$173) for its proportionate share of the net pension liability(asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension liability (asset) was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projection contributions of all participating entities, actuarially determined. At December 31, 2015, the Town's proportion was 0.0098164611% which was a decrease of 0.0007655383% from its proportion measured as of December 31, 2014. For the year ended December 31, 2016, the Town recognized pension expense (income) of \$(5,837). At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 5 Pension Plans (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 1,400	\$ 204
Changes in assumptions	2,718	0
Net difference between actual and projected earnings on pension plan investments	8,807	0
Net impact in change in proportionate share	1,036	0
Contributions subsequent to the measurement date	8,560	0
Total	\$22,521	\$ 204

\$8,560 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Pension Expense</u>
2017	\$ 2,424
2018	2,424
2019	2,424
2020	2,236
2021	474
Thereafter	1,996
Total	<u>\$ 11,978</u>

**Actuarial assumptions.** The total pension asset in the January 1, 2016 actuarial valuation was determined using the following actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	4.0 percent-14.0 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2014 Mortality Table For Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table For Blue Collar Adjustment, projected with Scale BB is used in the projection of post-retirement benefits for members under 55

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 5 Pension Plans (Continued)**

For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with scale BB are used. For post-retirement members ages 55-64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the Fire and Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions.

At its July 2015 meeting, the Board of Directors review and approved recommended changes to the actuarial assumption. The recommendations were made by FPPA actuaries, based upon analysis of past experience and expectations of the future.

The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Lont-Term Expected Real Rate of Return.
Global Equity	37%	6.5%
Equity Long / Short	10%	4.7%
Illiquid Alternatives	20%	8.0%
Fixed Income	16%	1.5%
Absolute Return	11%	4.1%
Managed Futures	4%	3.0%
Cash	2%	0.0%
Total	<u>100%</u>	

**Discount rate-** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contribution from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected benefit payments of current plan members. Therefore,



**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 5 Pension Plans (Continued)**

the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>Discount Rate:</u>	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Proportionate share of the net pension liability	<u>\$ 24,242</u>	<u>\$ (173)</u>	<u>\$(20,424)</u>

**Volunteer Fire Department Pension Fund**

At December 31, 2016, the Department reported a liability of \$68,433 for its net pension liability / (asset). The net pension liability / (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The plan membership consists of 10 retirees and beneficiaries and 13 active members.

For the year ended December 31, 2016, the Department recognized pension income of \$36,002. At December 31, 2016, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$0	\$397
Changes in assumptions	25,556	31,418
Net difference between actual and projected earnings on pension plan investments	1,438	0
Department contributions subsequent to the measurement date	8,925	0
Total	<u>\$35,919</u>	<u>\$31,815</u>

\$8,925 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. *Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Future pension expense from the amortization of deferred outflows and inflows of resources are:

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 5 Pension Plans (Continued)**

Year Ending	Net Deferred Outflows / (Inflows) of Resources
2017	(548)
2018	(548)
2019	(549)
2020	(3,176)
2021	-
Thereafter	-
Total	(4,821)

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	N/A
Cost of Living Adjustment	0.0 percent
Inflation	3.0 percent

On-duty related mortality is assumed to be 0.00020 per year for all members. The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2015 actuarial experience study, the main actuarial factor changes were:

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

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37%	6.50%
Equity Long/Short	10%	4.70%
Illiquid Alternatives	20%	8.00%
Fixed Income	16%	1.50%
Absolute Return	11%	4.10%
Managed Futures	4%	3.00%
Cash	2%	0.00%
<b>Total</b>	<b>100%</b>	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2015, are summarized in the above table.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 5 Pension Plans (Continued)**

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

*Sensitivity of the Department’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Department’s net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the Department’s net pension liability/(Asset) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1.00% Decrease*</b>	<b>Current Discount Rate*</b>	<b>1.00% Increase*</b>
Department’s net pension liability/(asset)	\$176,176	\$68,433	\$61,841

\* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.68 percent. The single discount rate for the plans was 7.50 percent.

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

*State of Colorado Fire and Police Pension Association – Defined Contribution Plan*

The District contributes to the Statewide Defined Contribution Plan (“SWDC”), a cost sharing multiple-employer defined contribution pension plan administered by the Colorado Fire and Police Pension Association. The SWDC plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for plan members through the SWDC plan, which is also administered by the Colorado Fire and Police Pension Association. The paid fire chief and paid firefighters of the District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The District contributions to the SWDC plan for the years ending December 31, 2016, 2015, 2014 were \$18,168, \$0 and \$17,361, respectively, equal to the required contribution.

**Note 6 Tax, Spending, and Debt Limitation**

Article X, Section 20 of the Colorado Constitution, The Taxpayer’s Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of TABOR.

Spending and revenue limits are determined based on the prior year’s fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

**Town of Palmer Lake, Colorado**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016**

**Note 6 Tax, Spending, and Debt Limitation (Continued)**

TABOR requires local governments to establish emergency reserves, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. This Town had an emergency reserve of \$40,728 as of December 31, 2016.

**Note 7 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 disaster. The District maintains commercial insurance to mitigate their risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **Required Supplemental Information**

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ 324,819	\$ 91,866	\$ (232,953)
Specific ownership taxes	76,000	4,623	(71,377)
Sales and use taxes	422,298	199,079	(223,219)
Franchise taxes	103,000	109,634	6,634
Other taxes	114,927	3,290	(111,637)
Licenses, permits and fees	16,860	16,161	(699)
Intergovernmental	14,400	10,189	(4,211)
Fines and forfeits	12,555	11,871	(684)
Investment income	700	1,341	641
Grants	953,000	21,555	(931,445)
Proceeds from sales of assets	-	71,649	71,649
Other	7,000	33,151	26,151
Transfers from other funds	-	24,005	24,005
Total Revenues	<u>2,045,559</u>	<u>598,414</u>	<u>(1,447,145)</u>
<b>Expenditures</b>			
Wages and benefits	92,606	102,480	(9,874)
Training and travel	8,500	5,678	2,822
Professional fees	-	81,415	(81,415)
Contract services	99,500	10,538	88,962
Operating supplies	9,000	13,938	(4,938)
Elections	10,000	4,723	5,277
Repairs and maintenance	5,900	12,649	(6,749)
Office expense	15,000	18,860	(3,860)
Utilities	16,500	16,691	(191)
Insurance	11,000	10,399	601
Grants expense	-	96,370	(96,370)
County Treasurer fees	-	938	(938)
Other expenses	3,100	3,992	(892)
Capital outlay	10,000	6,120	3,880
Total Expenditures	<u>281,106</u>	<u>384,791</u>	<u>(103,685)</u>
Net Change in Fund Balance	<u>\$ 1,764,453</u>	<u>\$ 213,623</u>	<u>\$ (1,550,830)</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Road Improvement Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property tax	\$ -	\$ 100,694	\$ 100,694
Specific ownership taxes	-	5,961	5,961
Sales and use taxes	-	159,980	159,980
Highway use taxes	-	70,595	70,595
Other	-	100	100
Total Revenues	<u>-</u>	<u>337,330</u>	<u>337,330</u>
<b>Expenditures</b>			
Wages and benefits	110,790	126,288	(15,498)
Dust control	14,000	10,726	3,274
Professional services	10,000	232	9,768
Contract services	6,000	7,925	(1,925)
Operating supplies	4,000	1,592	2,408
Utilities	20,200	16,717	3,483
Road and street material	27,000	22,959	4,041
Repairs and maintenance	17,000	13,766	3,234
Gas, fuel and oil	9,000	6,549	2,451
Office expense	1,350	961	389
Insurance	9,000	9,000	-
Other expenses	2,250	291	1,959
Grants expense	585,000	31,281	553,719
County Treasurer fees	-	1,002	(1,002)
Capital outlay	100,000	114,816	(14,816)
Total Expenditures	<u>915,590</u>	<u>364,105</u>	<u>551,485</u>
Net Change in Fund Balance	<u>\$ (915,590)</u>	<u>\$ (26,775)</u>	<u>\$ 888,815</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Police Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ -	\$ 90,949	\$ 90,949
Specific ownership taxes	-	14,900	14,900
Sales and use taxes	-	191,449	191,449
Intergovernmental	-	11,766	11,766
Other	-	3,153	3,153
Total Revenues	<u>-</u>	<u>312,217</u>	<u>312,217</u>
<b>Expenditures</b>			
Wages and benefits	233,088	253,298	(20,210)
Professional fees	-	406	(406)
Contract services	2,500	1,299	1,201
Operating supplies	1,000	1,469	(469)
Utilities	6,100	4,376	1,724
Repairs and maintenance	13,800	4,686	9,114
Office expense	6,000	8,923	(2,923)
Gas and oil	13,000	7,742	5,258
Insurance	21,000	21,000	-
Other expenses	11,200	7,708	3,492
County Treasurer fees	-	905	(905)
Capital outlay	1,000	-	1,000
Total Expenditures	<u>308,688</u>	<u>311,812</u>	<u>(3,124)</u>
Net Change in Fund Balance	<u>\$ (308,688)</u>	<u>\$ 405</u>	<u>\$ 309,093</u>

See the accompanying Independent Auditor's report



**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ -	\$ 38,978	\$ 38,978
Specific ownership taxes	-	11,766	11,766
Sales and use taxes	-	69,549	69,549
Intergovernmental	-	11,766	11,766
Other	-	7,340	7,340
Grants	-	53,219	53,219
Total Revenues	<u>-</u>	<u>192,618</u>	<u>192,618</u>
<b>Expenditures</b>			
Wages and benefits	62,693	62,710	(17)
Training and travel	1,500	330	1,170
Professional fees	-	-	-
Contract services	11,700	14,316	(2,616)
Operating supplies	5,500	1,467	4,033
Utilities	7,700	6,097	1,603
Repairs and maintenance	10,350	26,972	(16,622)
Office expense	6,400	8,801	(2,401)
Insurance	4,700	5,293	(593)
Gas and oil	4,000	3,050	950
Other expenses	1,900	331	1,569
Grants expense	3,000	11,858	(8,858)
County Treasurer fees	-	388	(388)
Fire mitigation	5,000	110	4,890
Capital outlay	5,000	55,000	(50,000)
Total Expenditures	<u>129,443</u>	<u>196,723</u>	<u>(67,280)</u>
Net Change in Fund Balance	<u>\$ (129,443)</u>	<u>\$ (4,105)</u>	<u>\$ 125,338</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake  
Schedule of Contributions Multiyear  
Last 10 Fiscal Years \*\***

FY Ending December 31, (a)	Actuarially Determined Contribution (b)	Actual Contribution * (c)	Contribution Deficiency (Excess) (d) = (b) - (c)	Covered Payroll (e)	Actual Contribution as a % of Covered (f)
2014	\$ 8,844	\$ 8,406	\$ 438	N/A	N/A
2015	\$ 8,844	\$ 18,168	\$ (9,324)	N/A	N/A

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

**Notes to the Schedule of Contributions**

**Valuation Date**

Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2015, determines the contribution amounts for 2016 and 2017.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 Years*
Asset Valuation Method	5-Year smoothed market
Inflation	3.00%
Salary Increases	N/A
Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP -2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled:RP-2000 Disabled Mortality Table All tables projected with Scale AA

\* Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

\*\* Information for the prior 8 years was not available to report

**Town of Palmer Lake**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability / (Asset) and Related Ratios Multiyear**  
**Last 10 Fiscal Years**

Measurement date December 31,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension Liability</b>										
Service cost	\$ 2,571	\$ 1,292								
Interest	4,928	7,310								
Changes of benefit terms	-	-								
Differences between expected and actual experience	-	(617)								
Changes of assumptions	(39,273)	39,622								
Benefit payments, including refunds of employee contributions	(11,500)	(12,000)								
<b>Net Change in Total Pension Liability</b>	<b>(43,274)</b>	<b>35,607</b>								
<b>Total Pension Liability -Beginning</b>	<b>138,331</b>	<b>102,724</b>								
<b>Total Pension Liability - Ending</b>	<b>95,057</b>	<b>138,331</b>								
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	8,560	-								
Net investment income	331	1,138								
Benefit payments, including refunds of employee contributions	(11,500)	(12,000)								
Administrative expense	(1,173)	(413)								
State of Colorado supplemental discretionary payments	9,608	8,406								
<b>Net Change in Plan Fiduciary Net Positions</b>	<b>5,826</b>	<b>(2,869)</b>								
<b>Plan Fiduciary Net Position - Beginning</b>	<b>20,798</b>	<b>23,667</b>								
<b>Plan Fiduciary Net Position - Ending</b>	<b>26,624</b>	<b>20,798</b>								
<b>Net Pension liability (Asset) - Ending</b>	<b>68,433</b>	<b>117,533</b>								
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>28.01%</b>	<b>15.03%</b>								
<b>Covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>								
<b>Net pension liability as a percentage of covered employees payroll.</b>	<b>N/A</b>	<b>N/A</b>								

\* Information for the prior 9 years was not available to report

**Town of Palmer Lake**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - FPPA**  
**Last 10 Fiscal Years \***

Measurement date December 31,	2015	2014	2013
District's proportion of the net pension liability / asset	0.0098164611%	0.0105819994%	1.0829630600%
District's proportional share of the net pension liability (asset)	\$ (173)	\$ (11,943)	\$ (12,222)
District's covered payroll	47,590	47,590	45,084
Total pension liability	1,846,961,999	1,652,901,084	1,533,631,141
Plan fiduciary net position	1,848,724,853	1,765,758,630	1,623,049,809
Net pension liability (asset)	<u>\$ (1,762,854)</u>	<u>\$ (112,857,546)</u>	<u>\$ (89,418,668)</u>
Plan fiduciary net position as a percentage of the total pension	1.00	1.07	1.06
Net pension liability as a percentage of covered payroll	0%	-25%	-27%

These schedules are intended to show 10 years. Information is only shown for the years available.

**Town of Palmer Lake  
Required Supplementary Information  
Schedule of Pension Contributions - FPPA  
Last 10 Fiscal Years**

	2016	2015	2014	2013
Statutorily Required Contribution	8,560	3,807	3,807	3,607
Contributions in Relation to the Statutorily Required Contribution	8,560	3,807	3,807	3,607
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	107,003	47,590	47,590	45,084
Contributions as a % of Covered Payroll	8.00%	8.00%	8.00%	8.00%

These schedules are intended to show 10 years. Information is only shown for the years available.

## **Other Supplemental Information**

**Town of Palmer Lake, Colorado**  
**Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2016**

	<u>Special Investigations</u>	<u>Conservation Trust</u>	<u>Parks and Recreation</u>	<u>Lucy Owen Donation</u>	<u>Lake Maintenance</u>	<u>Total</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ -	\$ 75,868	\$ -	\$ -	\$ -	\$ 75,868
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 75,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,868</u>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Due to other funds	\$ -	\$ -	\$ 57,047	\$ -	\$ -	\$ 57,047
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>57,047</u>	<u>-</u>	<u>-</u>	<u>57,047</u>
<b>Fund Balance</b>						
Restricted	-	75,868	-	-	-	75,868
Unassigned	-	-	(57,047)	-	-	(57,047)
Total Fund Balance	<u>-</u>	<u>75,868</u>	<u>(57,047)</u>	<u>-</u>	<u>-</u>	<u>18,821</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ -</u>	<u>\$ 75,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,868</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>Special Investigations</u>	<u>Conservation Trust</u>	<u>Parks and Recreation</u>	<u>Lucy Owen Donation</u>	<u>Lake Maintenance</u>	<u>Total</u>
Revenues						
Taxes	\$ -	\$ -	\$ 11,138	\$ -	\$ -	\$ 11,138
Intergovernmental	-	29,011	-	-	-	29,011
Other	-	-	1,534	-	-	1,534
Total Revenues	<u>-</u>	<u>29,011</u>	<u>12,672</u>	<u>-</u>	<u>-</u>	<u>41,683</u>
Expenditures						
Current						
General government	-	-	-	1,059	-	1,059
Culture and recreation	-	24,638	11,883	-	83	36,604
Total Expenditures	<u>-</u>	<u>24,638</u>	<u>11,883</u>	<u>1,059</u>	<u>83</u>	<u>37,663</u>
Excess of Revenues Over (Under) Expenditures	-	4,373	789	(1,059)	(83)	4,020
Other Financing Sources and Uses						
Transfers	(24,005)	-	-	-	-	(24,005)
Total Other Financing Sources and Uses	<u>(24,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,005)</u>
Net Change in Fund Balance	<u>(24,005)</u>	<u>4,373</u>	<u>789</u>	<u>(1,059)</u>	<u>(83)</u>	<u>(19,985)</u>
Fund Balance, Beginning	24,005	71,495	(57,836)	1,059	83	38,806
Fund Balance, Ending	<u>\$ -</u>	<u>\$ 75,868</u>	<u>\$ (57,047)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,821</u>



**Town of Palmer Lake, Colorado  
 Budgetary Comparison Schedule  
 Special Investigations Fund  
 For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Surcharges	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Transfers	-	24,005	(24,005)
Contingencies	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>24,005</u>	<u>(24,005)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (24,005)</u>	<u>\$ (24,005)</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Conservation Trust Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 22,000	\$ 29,011	\$ 7,011
Total Revenues	<u>22,000</u>	<u>29,011</u>	<u>7,011</u>
Expenditures			
Wages and benefits	24,761	16,899	7,862
Contract services	4,000	3,391	609
Operating supplies	2,500	729	1,771
Utilities	1,200	651	549
Repairs and maintenance	2,500	2,468	32
Gas and oil	1,000	500	500
Other expenses	139	-	139
Capital outlay	5,900	-	5,900
Total Expenditures	<u>42,000</u>	<u>24,638</u>	<u>17,362</u>
Net Change in Fund Balance	<u>\$ (20,000)</u>	<u>\$ 4,373</u>	<u>\$ 24,373</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Parks and Recreation Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ -	\$ 11,138	\$ 11,138
Other	-	1,534	1,534
Total Revenues	<u>-</u>	<u>12,672</u>	<u>12,672</u>
Expenditures			
Wages and benefits	2,685	355	2,330
Contract services	3,000	1,264	1,736
Operating supplies	2,000	5,400	(3,400)
Utilities	-	52	(52)
Repairs and maintenance	500	-	500
Office expense	420	281	139
Grants expense	-	3,883	(3,883)
Other expense	1,600	648	952
Total Expenditures	<u>10,205</u>	<u>11,883</u>	<u>(1,678)</u>
Net Change in Fund Balance	<u>\$ (10,205)</u>	<u>\$ 789</u>	<u>\$ 10,994</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Lucy Owen Donation Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Investment income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Repairs and maintenance	6,000	1,059	4,941
Total Expenditures	<u>6,000</u>	<u>1,059</u>	<u>4,941</u>
Net Change in Fund Balance	<u>\$ (6,000)</u>	<u>\$ (1,059)</u>	<u>\$ 4,941</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Lake Maintenance Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Investment income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Operating supplies	-	83	(83)
Total Expenditures	<u>-</u>	<u>83</u>	<u>(83)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (83)</u>	<u>\$ (83)</u>

See the accompanying Independent Auditor's report

**Town of Palmer Lake, Colorado**  
**Budgetary Comparison Schedule**  
**Water Fund**  
**For the Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Water sales and improvement fees	\$ 800,117	\$ 826,452	\$ 26,335
Water meter parts	3,000	3,966	966
Late fees	12,000	17,205	5,205
Water tap fees	30,000	80,000	50,000
Investment income	-	3,237	3,237
Total Revenues	845,117	930,860	85,743
<b>Expenditures</b>			
Wages and benefits	246,165	251,173	(5,008)
Training and travel	850	110	740
Memberships and registrations	20,000	13,009	6,991
Contract services	2,000	1,301	699
Professional fees	94,000	58,908	35,092
Payment processing	-	16,599	(16,599)
Utilities	90,000	95,668	(5,668)
Operating supplies	110,000	85,006	24,994
Repairs and maintenance	13,500	48,154	(34,654)
Office expense	12,200	6,836	5,364
Insurance	13,500	13,500	-
Gas and oil	6,000	3,642	2,358
Reservoir / Dam maintenance	253,843	48,028	205,815
Water quality tests	300,000	31,225	268,775
Other expenses	1,000	275	725
Debt service	104,942	104,695	247
Capital outlay	195,000	130,850	64,150
Total Expenditures	1,463,000	908,979	554,021
Net Change in Fund Balance - Budgetary Basis	\$ (617,883)	21,881	\$ 639,764
<b>Reconciliation to Net Income</b>			
Add Capital Outlay		130,850	
Add Principal paid on bonds		78,987	
Less Depreciation Expense		(184,857)	
<b>Net Income - GAAP basis</b>		<b>\$ 46,861</b>	

See the accompanying Independent Auditor's report

## **Special Reports**

## Calendar Year 2016

## LOCAL HIGHWAY FINANCE REPORT

COUNTY/CITY:Palmer Lake

## II - RECEIPTS FOR ROAD AND STREET PURPOSES

## A. Receipts from local sources

2. General Fund Appropriations:	\$	0.00
3. Other local imposts: <i>from A.3. Total' below</i>	\$	97,727.00
4. Miscellaneous local receipts: <i>from A.4. Total' below</i>	\$	1,463.00
5. Transfers from toll facilities	\$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	0.00
b. Bonds - Refunding Issues:	\$	0.00
c. Notes:	\$	0.00
SubTotal:	\$	99,190.00
B. Private Contributions	\$	0.00

## II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

## A.3. Other local imposts

a. Property Taxes and Assessments	\$	28,548.00
b. Other Local Imposts		
1. Sales Taxes:	\$	57,172.00
2. Infrastructure and Impact Fees:	\$	0.00
3. Liens:	\$	0.00
4. Licenses:	\$	0.00
5. Specific Ownership and/or Other:	\$	12,007.00
Total: <i>(a + b) carried to 'Other local imposts' above</i>	\$	97,727.00

## A.4. Miscellaneous local receipts

a. Interest on Investments:	\$	0.00
b. Traffic fines & Penalties:	\$	1,463.00
c. Parking Garage Fees:	\$	0.00
d. Parking Meter Fees:	\$	0.00
e. Sale of Surplus Property:	\$	0.00
f. Charges for Services:	\$	0.00
g. Other Misc. Receipts:	\$	0.00
h. Other:	\$	0.00
Total: <i>(a through h) carried to 'Misc local receipts' above</i>	\$	1,463.00



**C. Receipts from State Government**

1. Highway User Taxes:	\$	94,127.00
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	59,646.00
d. Other:		
Comments: undefined	\$	0.00
e. Other:		
Comments: undefined	\$	0.00
<b>Total: (1+3c,d,e)</b>	\$	<b>153,773.00</b>

**D. Receipts from Federal Government**

2. Other Federal Agencies		
a. Forest Service:	\$	0.00
b. FEMA:	\$	0.00
c. HUD:	\$	0.00
d. Federal Transit Administration:	\$	0.00
e. U.S. Corp of Engineers	\$	0.00
f. Other Federal:	\$	34,462.00
<b>Total: (2a-f)</b>	\$	<b>34,462.00</b>

**III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES****A. Local highway disbursements**

1. Capital outlay: (from A.1.d. Total Capital Outlay below)	\$	0.00
2. Maintenance:	\$	216,910.00
3. Road and street services		
a. Traffic control operations:	\$	18,053.00
b. Snow and ice removal:	\$	18,000.00
c. Other:	\$	34,462.00
4. General administration & miscellaneous	\$	0.00
5. Highway law enforcement and safety	\$	0.00
<b>Total: (A.1-5)</b>	\$	<b>287,425.00</b>

**B. Debt service on local obligations**

1. Bonds		
a. Interest	\$	0.00
b. Redemption	\$	0.00
2. Notes		
a. Interest	\$	0.00
b. Redemption	\$	0.00
	<u>\$</u>	<u>0.00</u>
SubTotal: (1+2)	\$	0.00

C. Payments to State for Highways:	\$	0.00
D. Payments to Toll Facilities:	\$	0.00

Total Disbursements: (A+B+C+D) \$ 287,425.00

**III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)**

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
<b>A.1. Capital Outlay</b>			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00
3. System Preservation:	\$ 0.00	\$ 0.00	\$ 0.00
4. System Enhancement:	\$ 0.00	\$ 0.00	\$ 0.00
5. Total Construction:			<u>\$ 0.00</u>
d. Total Capital Outlay: (Lines A.1.a. + 1.b. + 1.c.5)			<u>\$ 0.00</u>

*next page*

**IV. LOCAL HIGHWAY DEBT STATUS**

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
<b>A. Bonds (Total)</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1. Bonds (Refunding Portion)		\$ 0.00	\$ 0.00	\$ 0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
<b>A.1. Capital Outlay</b>			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00
3. System Preservation:	\$ 0.00	\$ 0.00	\$ 0.00
4. System Enhancement:	\$ 0.00	\$ 0.00	\$ 0.00
5. Total Construction:			<u>\$ 0.00</u>
d. Total Capital Outlay: <i>(Lines A.1.a. + 1.b. + 1.c.5)</i>			<u>\$ 0.00</u>

IV. LOCAL HIGHWAY DEBT STATUS

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
<b>A. Bonds (Total)</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1. Bonds (Refunding Portion)		\$ 0.00	\$ 0.00	\$ 0.00
<b>B. Notes (Total):</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

V - LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 0.00	\$ 287,425.00	\$ 287,425.00	\$ 0.00	\$ 0.00

Notes & Comments:  
undefined

Date Submitted: 03/22/2017