

TOWN OF MANCOS COLORADO

Independent Accountants' Reports
and
Basic Financial Statements

December 31, 2017

TOWN OF MANCOS, COLORADO

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Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521
Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Mancos, Colorado
Mancos, Colorado 81328

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinions.

Opinions

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

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mancos, Colorado's basic financial statements. The accompanying other supplementary information and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the financial statements.

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



Majors and Haley, P.C.
May 2, 2018

TOWN OF MANCOS, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2017

FINANCIAL HIGHLIGHTS

Key financial highlights for the Town in 2017 are as follows:

- In total, net position increased by \$874,406. Net position of governmental activities increased \$524,482, which represents a 19.9 percent increase from 2016. Net position of business type activities increased \$349,924 or 7.7 percent from 2016.
- General revenues accounted for \$1,041,665 in revenue or 39 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,649,722 or 61 percent of total revenues of \$2,691,387.
- Governmental activities total assets increased by \$496,213. Liabilities and deferred inflows of resources decreased by \$28,269.
- The Town incurred \$1,180,925 in expenses related to government activities. \$474,568 of these expenses was offset by program specific charges for services, grants and contributions. General revenues (primarily property taxes, sales taxes, franchise taxes, and mineral leasing revenues) of \$1,230,839 were adequate to cover the balance of the costs of these programs.
- Among the major funds, the General Fund had \$1,669,260 in revenues and other financing sources and \$1,482,432 in expenditures. It's fund balance increased by \$186,828 from \$1,213,478 to \$1,400,306.
- Net position of the Enterprise Funds increased from \$4,519,767 to \$4,869,691.

TOWN OF MANCOS, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two statements are Town-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the Town-wide statements.
- The governmental funds statements tell how basic services such as general government were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water and sanitation services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

Town-wide Statements

The Town-wide statements report information about the Town as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the Town's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

TOWN OF MANCOS, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2017

The two Town-wide statements report the Town's net position and how it has changed. Net position (the difference between the Town's assets and deferred outflows of resources less liabilities and deferred inflows of resources) is one way to measure the Town's financial position.

- Over time, increases or decreases in the Town's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the Town's overall health, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of Town facilities.

In the Town-wide financial statements, the Town's activities are divided into two categories:

- **Governmental activities-** Most of the Town's basic services are included here, such as general government, public safety, public works and culture and recreation. These activities are financed mainly through property taxes and sales taxes.
- **Business-type activities-** The Town charges fees to help cover the costs of certain services it provides. The Town's water and sanitation facilities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds, not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the Town establishes other funds to help it manage and control its finances to achieve certain results.

The Town uses two types of funds:

- **Governmental funds-** Most of the Town's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide

TOWN OF MANCOS, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2017

a detailed short-term view of the Town's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the Town-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

- **Proprietary funds-** Services for which the Town charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Town-wide financial statements. The Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flow analysis.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Total assets increased by \$762,813. Current assets increased by \$181,859. Net capital assets increased by \$314,354. Current liabilities increased by \$2,194. Deferred inflows of resources decreased by \$5,993. Non-current liabilities decreased by \$24,470.

The Town's combined net position was larger on December 31, 2017 than it was at December 31, 2016, increasing by \$874,406 to \$8,030,491. The Town's governmental type activities net position increased by \$524,482 to \$3,160,800. The net position of the Town's business-type activities increased by \$349,924 to \$4,869,691.

TOWN OF MANCOS, COLORADO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2017**

Table 1 provides a summary of the Town's net position for 2017 compared to 2016:

Table 1
Condensed Statement of Net Position
(In millions)

	Governmental Activities		Business-type Activities		Total Town	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 1.524	\$ 1.341	\$ 0.598	\$ 0.599	\$ 2.122	\$ 1.940
Capital assets	1.804	1,490.000	5.392	5.124	7.196	1,495.124
Total assets	3.328	1,491.341	5.990	5.723	9.318	1,497.064
Liabilities						
Current liabilities	0.024	22.000	0.067	0.078	0.091	22.078
Noncurrent liabilities	0.050	0.074	1.053	1.125	1.103	0.965
Deferred inflows of resources	0.093	0.099			0.093	0.099
Net Position						
Net investment in capital assets	1.734	1.399	4.279	3.928	6.013	5.327
Restricted	0.077	0.040	0.022	0.022	0.099	0.062
Unrestricted	1.350	1.197	0.569	0.570	1.919	1.767
Total net position	\$ 3.161	\$ 2.636	\$ 4.870	\$ 4.520	\$ 8.031	\$ 7.156

TOWN OF MANCOS, COLORADO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2017**

Table 2 shows the changes in net position for fiscal year 2017 as compared to 2016.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Town	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 284,958	\$ 226,332	\$ 797,909	\$ 760,004	\$ 1,082,867	\$ 986,336
Operating grants & contributions	51,862	119,574			51,862	119,574
Capital grants & contributions	137,748	28,744	377,245	1,411	514,993	30,155
General revenues						
Property taxes	98,124	99,530			98,124	99,530
Sales taxes	724,157	566,726			724,157	566,726
Other	408,558	456,854	(189,174)	(229,234)	219,384	227,620
Total revenues	1,705,407	1,497,760	985,980	532,181	2,691,387	2,029,941
Expenses						
General government	428,294	568,388			428,294	568,388
Public safety	377,172	346,247			377,172	346,247
Public works	228,806	188,826	636,056	689,152	864,862	877,978
Culture and recreation	146,653	108,796			146,653	108,796
Total expenses	1,180,925	1,212,257	636,056	689,152	1,816,981	1,901,409
Increase (decrease) in net position	\$ 524,482	\$ 285,503	\$ 349,924	\$ (156,971)	\$ 874,406	\$ 128,532

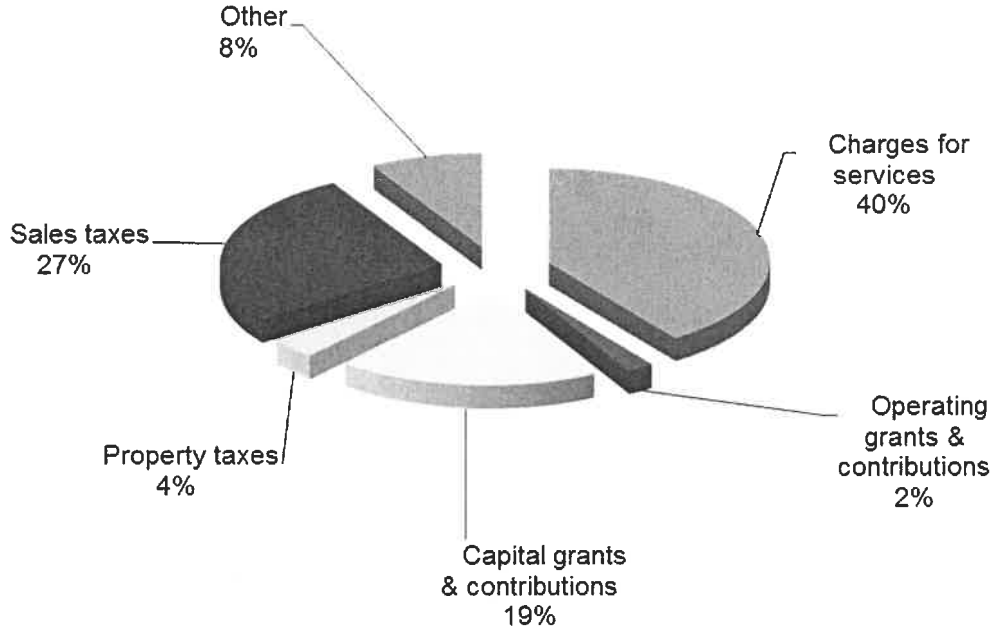
TOWN OF MANCOS, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended December 31, 2017

Charges for services and sales taxes accounted for most of the Town's total revenue, with each contributing 40 percent and 27 percent respectively (See Table 3). Another 4 percent came from property taxes and the remainder from operating grants, capital grants and other revenues.

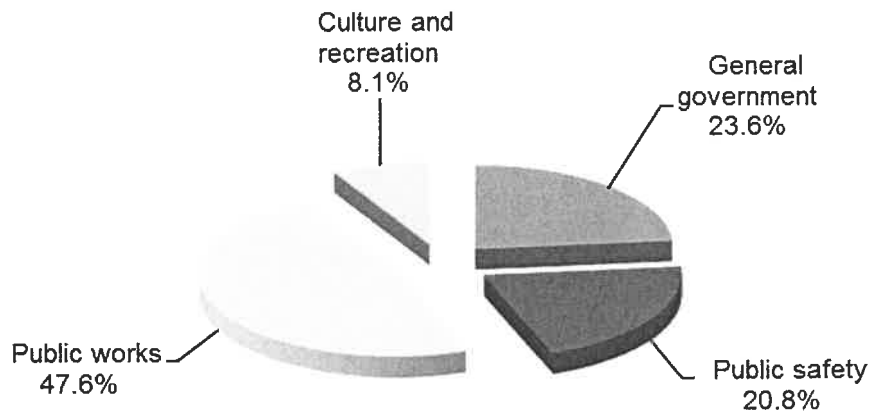
The Town's expenses are predominately related to, public works (47.6 percent), general government (23.6 percent), and public safety (20.8 percent) (See Table 4). The Town's culture and recreation activities accounted for the balance of total costs.

Table 3
Sources of Revenue for Fiscal Year 2017



TOWN OF MANCOS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2017

Table 4
Expenses for Fiscal Year 2017



Governmental Activities

The primary sources of operating revenue for the Town come from charges for services, capital grants, general property taxes, and sales taxes. The Town receives approximately 90 percent of this funding from these sources while the remaining amounts come from operating grants and other revenue sources.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by general revenues including general property taxes and sales taxes.

TOWN OF MANCOS, COLORADO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2017**

**Table 5
Government Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General government	\$ 428,294	\$ 568,388	\$ 164,797	\$ 296,884
Public safety	377,172	346,247	356,806	322,983
Public works	228,806	188,826	53,325	154,061
Culture and recreation	146,653	108,796	131,429	63,679
Total	\$ 1,180,925	\$ 1,212,257	\$ 706,357	\$ 837,607

- The cost of all governmental activities during the year was \$1,180,925.
- Some of the cost was financed by the users of the Town's programs (\$284,958)
- Federal and state government subsidized certain programs with grants and contributions (\$189,610).
- However, \$1,230,839 was financed by state and town taxpayers. This portion of governmental activities was financed with \$724,157 in sales taxes, \$113,611 in property and specific ownership taxes, \$86,399 in franchise taxes and \$306,672 in other general revenues.

TOWN OF MANCOS, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2017

Business-type Activities

Business-type activities are made up of the Water Fund and the Sewer Fund. These programs had revenues net of transfers of \$985,980 and expenses of \$636,056.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Information about the Town's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues and other financing sources of \$1,683,244 and expenditures of \$1,493,185.

General Fund Budgetary Highlights

The Town's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

Over the course of the year, the Town made one revision to the annual operating budget.

- Actual expenditures were \$122,266 less than budget, primarily because the Town budgeted conservatively on expenditures and revenue.

CAPITAL ASSET ADMINISTRATION

By the end of 2017 the Town has invested \$11.47 million in land, buildings, and equipment (including vehicles), of this total \$2.71 million was from governmental activities.

Table 6 shows capital assets for 2017 compared to 2016:

TOWN OF MANCOS, COLORADO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended December 31, 2017**

**Table 6
Capital Assets at December 31**

	Governmental Activities		Business-Type Activities		Total Town	
	2017	2016	2017	2016	2017	2016
Land	\$ 138,081	\$ 138,081	\$ 6,984	\$ 6,984	\$ 145,065	\$ 145,065
Buildings/Facilities	2,319,049	1,895,129	8,545,321	7,960,446	10,864,370	9,855,575
Equipment	249,390	249,390	208,884	208,884	458,274	458,274
Total	\$ 2,706,520	\$ 2,282,600	\$ 8,761,189	\$ 8,176,314	\$ 11,467,709	\$ 10,458,914

Additional information on the Town's capital assets can be found in the Notes to the Financial Statements on page 29 of this report.

FACTORS BEARING ON THE TOWN'S FUTURE

At the time these financial statements were prepared and audited, the Town is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town's citizens, taxpayers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Mancos Administration Office, PO Box 487 Mancos, Colorado 81328.

TOWN OF MANCOS, COLORADO
Statement of Net Position

December 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 1,359,854	\$ 540,151	\$ 1,900,005
Property tax receivable	92,921		92,921
Accounts receivable	70,585	57,326	127,911
Capital assets	2,706,520	8,761,189	11,467,709
Accumulated depreciation	(902,296)	(3,368,777)	(4,271,073)
Total capital assets, net of depreciation	<u>1,804,224</u>	<u>5,392,412</u>	<u>7,196,636</u>
Total Assets	<u>3,327,584</u>	<u>5,989,889</u>	<u>9,317,473</u>
Liabilities			
Accounts payable	3,738	5,438	9,176
Accrued interest		1,765	1,765
Long-term liabilities			
Due within one year	20,582	59,660	80,242
Due in more than one year	49,543	1,053,335	1,102,878
Total Liabilities	<u>73,863</u>	<u>1,120,198</u>	<u>1,194,061</u>
Deferred inflows of resources			
Unearned property tax revenue	<u>92,921</u>		<u>92,921</u>
Net Position			
Net investment in capital assets	1,734,099	4,279,417	6,013,516
Restricted			
TABOR	50,000		50,000
Debt service		22,022	22,022
Parks and recreation	26,395		26,395
Unrestricted	1,350,306	568,252	1,918,558
Total Net Position	<u>\$ 3,160,800</u>	<u>\$ 4,869,691</u>	<u>\$ 8,030,491</u>

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO
Statement of Activities

For the Year Ended December 31, 2017

	Program Revenues			Net (Expenses) Revenue And Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities							
General government	\$ 428,294	\$ 258,497	\$ 5,000		\$ (164,797)		\$ (164,797)
Public safety	377,172	19,901	465		(356,806)		(356,806)
Public works	228,806	5,279	32,454	\$ 137,748	(53,325)		(53,325)
Culture and recreation	146,653	1,281	13,943		(131,429)		(131,429)
Total Governmental Activities	1,180,925	284,958	51,862	137,748	(706,357)		(706,357)
Business-Type Activities							
Water operations	278,732	469,534		377,245		\$ 568,047	568,047
Sewer operations	357,324	328,375				(28,949)	(28,949)
Total Business-Type Activities	636,056	797,909	-	377,245		539,098	539,098
Total Town	\$ 1,816,981	\$ 1,082,867	\$ 51,862	\$ 514,993	(706,357)	539,098	(167,259)

General Revenues

Property taxes	98,124		98,124
Specific ownership taxes	15,487		15,487
Sales tax	724,157		724,157
Road and bridge tax	13,639		13,639
Franchise tax	86,399		86,399
Severance tax	5,260		5,260
Intergovernmental			
Mineral leasing	70,570		70,570
Tobacco taxes	1,120		1,120
Earnings on investments	710	619	1,329
Miscellaneous	25,580		25,580
Transfers	189,793	(189,793)	-
Total General Revenues	1,230,839	(189,174)	1,041,665
Changes in Net Position	524,482	349,924	874,406
Net Position Beginning of the Year	2,636,318	4,519,767	7,156,085
Net Position End of the Year	\$ 3,160,800	\$ 4,869,691	\$ 8,030,491

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO

Balance Sheet
Governmental Funds

December 31, 2017

	General Fund	Other Governmental Funds Conservation Trust Fund	Total Governmental Funds
Assets			
Cash	\$ 1,333,459	\$ 26,395	\$ 1,359,854
Property tax receivable	92,921		92,921
Accounts receivable	70,585		70,585
Total assets	<u>\$ 1,496,965</u>	<u>\$ 26,395</u>	<u>\$ 1,523,360</u>
Liabilities			
Accounts payable	\$ 3,738		\$ 3,738
Total liabilities	<u>3,738</u>	<u>-</u>	<u>3,738</u>
Deferred inflows of resources			
Unearned property tax revenue	<u>92,921</u>	<u>-</u>	<u>92,921</u>
Fund balance			
Restricted			
TABOR	50,000		50,000
Parks and recreation		\$ 26,395	26,395
Unrestricted			
Assigned for subsequent year's expenditures	1,270,460		1,270,460
Unassigned	79,846		79,846
Total fund balance	<u>1,400,306</u>	<u>26,395</u>	<u>1,426,701</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,496,965</u>	<u>\$ 26,395</u>	<u>\$ 1,523,360</u>

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

Total fund balance governmental funds \$ 1,426,701

Amounts reported for governmental activities in the Statement of Net Position are different because

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

Capital assets	\$ 2,706,520	
Accumulated depreciation	<u>(902,296)</u>	1,804,224

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.

Due in one year	(20,582)	
Due in more than one year	<u>(49,543)</u>	(70,125)

Total net position governmental activities \$ 3,160,800

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2017

	General Fund	Other Governmental Funds		Total Governmental Funds
		Conservation Trust Fund		
Revenues				
Taxes	\$ 943,066			\$ 943,066
Intergovernmental revenues	247,356	\$ 13,944		261,300
Licenses and permits	265,057			265,057
Fines and forfeitures	19,901			19,901
Earnings on investments	668	40		708
Other	25,582			25,582
Total revenues	<u>1,501,630</u>	<u>13,984</u>		<u>1,515,614</u>
Expenditures				
General government	417,804			417,804
Public safety	352,301			352,301
Public works	601,962			601,962
Culture and recreation	110,365	10,753		121,118
Total expenditures	<u>1,482,432</u>	<u>10,753</u>		<u>1,493,185</u>
Other financing sources (uses)				
Transfers in	189,793			189,793
Debt service principal	(20,069)			(20,069)
Debt service interest	(2,094)			(2,094)
Total other financing sources (uses)	<u>167,630</u>	<u>-</u>		<u>167,630</u>
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	<u>186,828</u>	<u>3,231</u>		<u>190,059</u>
Fund Balances beginning of the year	1,213,478	23,164		1,236,642
Fund balances end of the year	<u>\$ 1,400,306</u>	<u>\$ 26,395</u>		<u>\$ 1,426,701</u>

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2017

Net Change in Fund Balances Governmental Funds **\$ 190,059**

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 423,920	
Depreciation expense	<u>(109,566)</u>	
		314,354

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduced long term liabilities in the Statement of Net Position

Principal payments on capital leases		20,069
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Change in Net Position of Governmental Activities **\$ 524,482**

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO

Statement of Net Position
Proprietary Fund Type-Enterprise Funds
December 31, 2017

	Business-type Activities		
	Water	Sewer	Total
Assets			
Current assets			
Cash	\$ 321,997	\$ 218,154	\$ 540,151
Accounts receivable	30,534	26,792	57,326
Total current assets	352,531	244,946	597,477
Noncurrent assets			
Capital assets	3,239,482	5,521,707	8,761,189
Accumulated depreciation	(1,223,548)	(2,145,229)	(3,368,777)
Total noncurrent assets	2,015,934	3,376,478	5,392,412
Total assets	2,368,465	3,621,424	5,989,889
Liabilities			
Current liabilities			
Accounts payable	2,525	2,913	5,438
Accrued interest	1,765		1,765
Current portion of long term debt	6,735	52,925	59,660
Total current liabilities	11,025	55,838	66,863
Noncurrent liabilities			
Notes and bonds payable	465,315	588,020	1,053,335
Total noncurrent liabilities	465,315	588,020	1,053,335
Total liabilities	476,340	643,858	1,120,198
Net position			
Net investment in capital assets	1,543,884	2,735,533	4,279,417
Restricted for debt service	22,022		22,022
Unrestricted	326,219	242,033	568,252
Total net position	\$ 1,892,125	\$ 2,977,566	\$ 4,869,691

The accompanying notes are an integral part of this statement

TOWN OF MANCOS, COLORADO

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type-Enterprise Funds

For the Year Ended December 31, 2017

	Business-type Activities		
	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 440,848	\$ 302,577	\$ 743,425
Total operating revenues	<u>440,848</u>	<u>302,577</u>	<u>743,425</u>
Operating expenses			
Water administration	103,448		103,448
Plant and storage	37,175		37,175
Disbribution	17,076		17,076
Sewer administration		67,257	67,257
Plant operation		73,365	73,365
Collection		4,920	4,920
Depreciation	104,819	211,782	316,601
Total operating expenses	<u>262,518</u>	<u>357,324</u>	<u>619,842</u>
Operating income (loss)	<u>178,330</u>	<u>(54,747)</u>	<u>123,583</u>
Nonoperating revenues (expenses)			
Interest revenue	310	309	619
Grant revenue	377,245		377,245
Tap fees	28,686	25,798	54,484
Transfers out	(122,565)	(67,228)	(189,793)
Debt service			
Interest	(16,214)		(16,214)
Total nonoperating revenues (expenses)	<u>267,462</u>	<u>(41,121)</u>	<u>226,341</u>
Change in net position	445,792	(95,868)	349,924
Net Position - beginning of the year	1,446,333	3,073,434	4,519,767
Net Position - end of the year	<u>\$ 1,892,125</u>	<u>\$ 2,977,566</u>	<u>\$ 4,869,691</u>

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO

Statement of Cash Flows
Proprietary Fund Type
Enterprise Funds

For the Year Ended December 31, 2017

	Business-type Activities		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 435,658	\$ 303,253	\$ 738,911
Cash payments to employees for services	(37,827)	(37,872)	(75,699)
Cash payments to suppliers for goods and services	(120,535)	(106,357)	(226,892)
Net Cash Flows provided (used) by Operating Activities	<u>277,296</u>	<u>159,024</u>	<u>436,320</u>
Cash Flows From Capital and Related Financing Activities			
Tap fees	28,686	25,798	54,484
Grants received	377,245		377,245
Principal paid on debt	(30,521)	(52,925)	(83,446)
Interest paid on debt	(16,742)		(16,742)
Net Cash Flows provided (used) by Capital and Financing Activities	<u>358,668</u>	<u>(27,127)</u>	<u>331,541</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	(122,565)	(67,228)	(189,793)
Equipment and facilities purchased	(584,875)		(584,875)
Total Cash Flows provided (used) by Noncapital Financing Activities	<u>(707,440)</u>	<u>(67,228)</u>	<u>(774,668)</u>
Cash flows from Investing Activities			
Earnings on investments	310	309	619
Net Increase (Decrease) in Cash and Cash Equivalents	(71,166)	64,978	(6,188)
Cash and Cash Equivalents - Beginning	393,163	153,176	546,339
Cash and Cash Equivalents - Ending	<u>\$ 321,997</u>	<u>\$ 218,154</u>	<u>\$ 540,151</u>
Reconciliation of operating income (loss) to Net Cash provided (used) by Operating Activities			
Operating income (loss)	\$ 178,330	\$ (54,747)	\$ 123,583
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	104,819	211,782	316,601
Changes in assets and liabilities related to operations:			
(Increase) Decrease in			
Operating accounts receivable	(5,190)	676	(4,514)
Increase (Decrease) in			
Operating accounts payable	(663)	1,313	650
Net Cash provided (used) by Operating Activities	<u>\$ 277,296</u>	<u>\$ 159,024</u>	<u>\$ 436,320</u>

The accompanying notes are an integral part of this statement.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Summary of Significant Accounting Policies - The Town of Mancos, Colorado's (the Town) financial statements are prepared in accordance with U.S. generally accepted accounting principals (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statement of Interpretations).

The following significant accounting policies were applied to the preparation of the accompanying financial statements.

Reporting Entity – Town of Mancos, Colorado is a statutory (non-home-rule) Town and serves as an administrative unit of the State of Colorado.

The Town follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations, 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 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.

Fund Accounting – The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental Funds – are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the Town's major governmental funds.

General Fund – is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, sales taxes and franchise taxes.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Special Revenue Funds- accounts for revenue derived from specific taxes or other earmarked revenue sources that are legally restricted to expenditures for specific purposes.

Conservation Trust Fund- is used to account for revenues from sources that are restricted for parks and recreation.

Proprietary Funds-

Enterprise Funds – focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The Town's enterprise funds are:

Water Fund- is used to account for the financial transactions related to the water treatment and distribution operations of the Town.

Sewer Fund- accounts for the sanitation services provided by the Town.

Basis of Presentation-

Town -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 except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The Town -wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the Town-wide financial statements and the statements for governmental funds.

The Town -wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting – determines when transactions are recorded in the financial records and reported on the financial statements. Town-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues- Exchange and Non-exchange Transactions- Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, and certain grants.

Operating Income-Proprietary Funds- operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Unearned Revenue- arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net position as an expense with a like amount reported as donated commodities revenue.

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 related fund liability is incurred if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds

Budgets and Budgetary Accounting – The Town is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (U.S. GAAP basis) as that used for accounting purposes, except for the Proprietary Funds, which are prepared essentially on the modified accrual basis of accounting. This basis of accounting is at variance with U.S. GAAP.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the Budget Officer submits to the Town Board a proposed operating budget for the fiscal year commencing the following January 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Prior to December 31, the budget is legally adopted through passage of adoption and appropriations resolutions.

Formal budgetary integration is employed as a management control device during the year.

Department directors are authorized to transfer budget amounts within the department. However, the Town Board must approve any revisions that alter the total expenditures of any department.

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

Cash and Cash Equivalents – for the purpose of the Statement of Cash Flows of the Enterprise Funds is considered to be all of the highly liquid investments with a maturity of six months or less.

Short-term Inter-fund Receivables/Payables- During the course of operations, certain transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the Town -wide statement of net position and, classified as due from other funds or due to other funds on the balance sheet.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Town-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the Town -wide statements of net position and in the respective fund financial statements,

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated general fixed assets are valued at their estimated fair value on the date donated. The Town maintains a capitalization threshold of five thousand dollars.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Facilities	15 to 40 Years	15 to 40 Years
Equipment	5 to 15 Years	5 to 15 Years

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Property Tax Revenue Recognition – Property taxes are billed and collected on behalf of the Town by the Montezuma County Treasurer. The property taxes are levied and certified in December of the year prior to the year the taxes are collected. Property taxes become an enforceable lien on January 1 of each year. Secured property taxes are due in two equal installments on February 28 and June 15, and are delinquent after February 28 and June 15 respectively. The entire balance can be paid by April 30 without penalty. Property taxes levied are recorded as deferred revenues in the year levied, as they are not due until the following year. An allowance for un-collectible taxes is not provided as the un-collectible amounts were determined to be negligible based upon an analysis of historical trends.

Compensated absences- Compensated absences arise from policies concerning vacation leave and compensatory days. Vacation pay is payable at termination after one year of employment up to 200 hours. Compensatory time is payable at termination. As of December 31, 2017, the amount of accrued vacation and compensatory time is not material. Therefore, no amount is reflected in the financial statements for accrual of compensated absences.

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the Town -wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements.

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the Town's TABOR emergency reserve, debt service reserves required by creditors and restrictions for parks and recreation required by certain granting agencies.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Committed- Amounts that can be used only for specific purposes determined by a formal action by the Town Board.

Assigned- Amounts that are designated by the Town Board for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures.

Unassigned- All amounts not included in the other spendable classifications

Use of Restricted Resources- When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less restrictive classifications- committed and then assigned fund balances before using unassigned fund balances

Net Position- Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses- Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are sales related to water and sanitation services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Inter-fund Transactions- Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Cash and Investments – The Town maintains its cash in the form of deposits in financial institutions.

Deposits- The Colorado Public Deposit Protection Act (PDPA) governs the Town’s cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a fair market value at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in collateral pools.

At December 31, the carrying amount of the Town’s deposits was \$1,900,005 and the bank balance was \$1,852,198. The Town’s bank balances at December 31, 2017 and during the year then ended were entirely covered by FDIC insurance or pledged collateral held by the Town’s agent bank in the name of governmental accounts of which the Town is a part.

Capital Assets – Capital asset activity for the fiscal year ended December 31, 2017 follows:

	<u>Balance Jan 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec 31, 2017</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 138,081			\$ 138,081
Capital assets, being depreciated:				
Buildings and improvements	1,856,650	\$ 423,921		2,280,571
Equipment	249,390			249,390
Infrastructure	38,478			38,478
Total capital assets being depreciated	<u>2,144,518</u>	<u>423,921</u>	<u>-</u>	<u>2,568,439</u>
Less accumulated depreciation	<u>(792,730)</u>	<u>(109,566)</u>		<u>(902,296)</u>
Net capital assets being depreciated	1,351,788	314,355	-	1,666,143
Governmental Activities Capital Assets, net	<u>\$ 1,489,869</u>	<u>\$ 314,355</u>	<u>\$ -</u>	<u>\$ 1,804,224</u>

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

	Balance Jan 1, 2017	Additions	Deletions	Balance Dec 31, 2017
Business Type Activities				
Capital assets, not being depreciated:				
Land	\$ 6,984			\$ 6,984
Total capital assets, not depreciated	<u>6,984</u>			<u>6,984</u>
Capital assets being depreciated				
Improvements	7,960,446	\$ 584,875		8,545,321
Machinery and equipment	208,884			208,884
Total capital assets being depreciated	<u>8,169,330</u>	<u>584,875</u>	<u>-</u>	<u>8,754,205</u>
Less accumulated depreciation	<u>(3,052,176)</u>	<u>(316,601)</u>		<u>(3,368,777)</u>
Net capital assets being depreciated	5,117,154	268,274	-	5,385,428
Business Type Activities Capital Assets net	<u>\$ 5,124,138</u>	<u>\$ 268,274</u>	<u>\$ -</u>	<u>\$5,392,412</u>

Depreciation expense was charged as a direct expense to the following governmental programs:

General government	\$ 10,490
Public works	29,959
Public safety	23,316
Culture and recreation	45,801
Total depreciation government activities	<u>\$ 109,566</u>

Retirement Plans- In 1999, the Town adopted a deferred compensation plan under Internal Revenue Code Section 457. The plan is a defined contribution plan and participation is voluntary. An eligible employee may make an election to have their pay reduced by a percentage each pay period. The Town pays a matching contribution to each employee's account, up to a limit of 4.5% of the employee's compensation for the calendar year. For the year ending December 31, 2017, the Town's matching contributions totaled \$16,215.

TOWN OF MANCOS, COLORADO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

General Long-Term Debt- The Town has incurred the following long-term debt.

Governmental Activities:

Capital Leases Payable-

In 2016 the Town entered into a lease agreement for two police vehicles. The lease is payable in 20 quarterly installments of \$4,241 beginning in July of 2016. The lease is serviced by the General Fund and the vehicles serve as collateral.

In 2016 the Town entered into a lease agreement for a truck. The lease is payable in 20 quarterly installments of \$1,300 beginning in September of 2016. The lease is serviced by the General Fund and the vehicle serves as collateral.

Business-type Activities:

Water Fund: The following items are obligations of and repaid through the Water Fund.

General Obligation Bonds Payable- \$225,000, 1978 Serial Water Bonds bearing interest at 5% with principal and interest payable annually. Principal is payable in annual installments of \$6,000 through 2004, \$7,000 for 2005 through 2007, \$8,000 for 2008 through 2010, \$9,000 for 2011 through 2014, \$10,000 for 2015, \$11,000 for 2016, and \$12,000 for 2017 and 2018. The Town fully retired this debt in 2017.

Revenue Bonds Payable- \$491,000, 2014 Series Revenue Bonds bearing interest at 3.25% with principal and interest payable semi-annually. These bonds were issued on November 19, 2014 to the USDA Rural Utilities Service to facilitate improvements to the Town's water system. The following are the annual requirements to service the bonds:

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Year Ending December 31	Principal	Interest	Total
2018	\$ 6,735	\$ 15,293	\$ 22,028
2019	6,956	15,072	22,028
2020	7,184	14,844	22,028
2021	7,419	14,609	22,028
2022	7,662	14,366	22,028
2023-2027	42,244	67,896	110,140
2028-2032	49,631	60,509	110,140
2033-2037	58,315	51,825	110,140
2038-2042	68,514	41,626	110,140
2043-2047	80,499	29,641	110,140
2048-2052	94,579	15,561	110,140
2053-2054	42,312	1,744	44,056
Total	<u>\$ 472,050</u>	<u>\$ 342,986</u>	<u>\$ 815,036</u>

Sewer Fund: The following items are obligations and repaid through the Sewer Fund:

Note Payable- \$850,000 loan from the Colorado Water Resources and Power Development Association to construct a new wastewater treatment facility. Total authorized amount is \$1,000,000. Interest is computed at 0% with semi-annual principal installments of \$25,000, due May 1 and November 1 of each year through 2029. The following are the annual requirements to service this debt:

Year Ending December 31	Principal	Interest	Total
2018	\$ 50,000		\$ 50,000
2019	50,000		50,000
2020	50,000		50,000
2021	50,000		50,000
2022	50,000		50,000
2023-2027	250,000		250,000
2028-2029	100,000		100,000
Total	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>

Note Payable- Loan from the Colorado Water Resources and Power Development Authority. Total amount authorized is \$500,000. The loan calls for \$441,507 of the debt to be forgiven by the lender. The remaining balance is to be repaid in semi-annual installments of \$1,462 with no interest due May 1 and November 1 of each year through 2031.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Year Ending December 31	Principal	Interest	Total
2018	\$ 2,925		\$ 2,925
2019	2,925		2,925
2020	2,925		2,925
2021	2,925		2,925
2022	2,925		2,925
2023-2027	14,625		14,625
2028-2031	11,695		11,695
Total	<u>\$ 40,945</u>	<u>\$ -</u>	<u>\$ 40,945</u>

Changes in General Long-Term Debt- A summary of changes in general long-term debt follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<u>Governmental Activities</u>				
Capital Leases	\$ 90,194		\$ 20,069	\$ 70,125
<u>Business Type Activities</u>				
General Obligation Bonds	24,000		24,000	-
Water Revenue Bonds	478,571		6,521	472,050
Sewer CWRPDA	43,870		2,925	40,945
Sewer Loan CWRPDA	650,000		50,000	600,000
Total	<u>\$ 1,286,635</u>	<u>\$ -</u>	<u>\$ 103,515</u>	<u>\$ 1,183,120</u>

Annual requirements to amortize the long-term debt is as follows:

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business -type Activities</u>
2018	\$ 22,164	\$ 74,953
2019	22,164	74,953
2020	22,164	74,953
2021	11,082	74,953
2022		74,953
2023-2027		374,765
2028-2032		221,835
2033-2037		110,140
2038-2042		110,140
2043-2047		110,140
2048-2052		110,140
2053-2054		44,056
Total	<u>77,574</u>	<u>1,455,981</u>
Less Interest	<u>(7,449)</u>	<u>(342,986)</u>
Outstanding principal	<u>\$ 70,125</u>	<u>\$ 1,112,995</u>

Fund Balance Restrictions and Assignments – Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Town Board but are not spendable until appropriated. The Town uses the following restrictions and assignments:

Restricted for TABOR- indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance restricted for TABOR consists of \$50,000 in the General Fund.

Restricted for Debt Service- indicates that a portion of the fund balance has been restricted for debt service by outside creditors. The USDA Rural Utilities Service requires a debt service reserve equal to \$22,022 in the Sewer Fund.

Restricted for Parks and Recreation- indicates that the fund balance of \$26,395 in the Conservation Trust Fund has been restricted for use on parks and recreation by Greater Outdoors Colorado which is the granting agency which supplies the revenue for this fund.

TOWN OF MANCOS, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Assigned for subsequent year's expenditures- indicates anticipated fund balance available for appropriation in the next budget year. Fund balance assigned for subsequent year's expenditures consists of \$1,270,460 in the General Fund.

Commitments and Contingent Liabilities – There appear to be no commitments or contingencies that would pose a threat of significant liability to the Town.

Tax Spending, Revenue and Debt Limitations- Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

On the November 5, 1996 municipal election ballot, the voters authorized the Town to collect, retain and expend, without imposing any new taxes or increases in its present mill levy on general property or its sales and use tax rates, the full revenues generated by the Town's sales and use tax, non-federal grants, its existing mill levy and any other excess revenues, commencing January 1, 1995, and each subsequent year, notwithstanding any state restriction on fiscal year spending, including without limitation the restrictions of Article X, Section 20 of the Colorado Constitution and spent as voter approved change and exception to the limits which would otherwise apply for: (a) street construction, repair, and maintenance; (b) capital improvements; (c) parks and recreation; (d) police protection; (e) storm drainage; (f) snow removal; (g) street sweeping; and (h) other municipal services.

The amendment also requires the Town to establish an Emergency Reserve, which must be equal to three percent of the current allowed revenue. Conditions under which these reserves may be spent are severally limited.

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

Risk Management – The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town has purchased commercial insurance for such risks including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three years.

TOWN OF MANCOS, COLORADO
Required Supplementary Information

December 31, 2017

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedule
General Fund

TOWN OF MANCOS, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund

For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General property taxes	\$ 98,914	\$ 98,914	\$ 98,124	\$ (790)
Specific ownership taxes	12,000	15,254	15,487	233
Road and bridge taxes	17,000	13,639	13,639	-
Sales and use taxes	460,000	710,009	724,157	14,148
Severance taxes	5,000	5,260	5,260	-
Franchise taxes	91,975	81,790	86,399	4,609
Total taxes	684,889	924,866	943,066	18,200
Licenses, permits and fees				
Permits and fees	15,650	37,086	38,429	1,343
Liquor licenses	1,500	1,200	1,200	-
Other licenses	8,500	21,266	21,296	30
Marijuana transaction fees	85,000	187,605	204,132	16,527
Total licenses and permits	110,650	247,157	265,057	17,900
Intergovernmental revenues				
Mineral leasing	100,000	70,570	70,570	-
Highway users tax	28,470	32,280	32,454	174
Grants	233,196	190,000	143,212	(46,788)
Tobacco product taxes	1,200	1,158	1,120	(38)
Total intergovernmental revenues	362,866	294,008	247,356	(46,652)
Fines and forfeitures	27,500	17,500	19,901	2,401
Earnings on investments	500	620	668	48
Miscellaneous revenues	1,000	20,094	25,582	5,488
Total revenues	1,187,405	1,504,245	1,501,630	(2,615)
Expenditures				
General government				
Legislative	55,455	55,570	53,680	1,890
Planning and zoning	12,000	32,684	31,241	1,443
Administration	359,940	379,570	332,883	46,687
Total general government	427,395	467,824	417,804	50,020
Public safety				
Marshal's office	370,656	382,186	352,301	29,885
Total public safety	370,656	382,186	352,301	29,885
Public works				
Public works administration	171,493	168,647	161,160	7,487
Streets	298,880	466,661	440,802	25,859
Total public works	470,373	635,308	601,962	33,346
Culture and recreation				
Parks and recreation	87,221	119,380	110,365	9,015
Total culture and recreation	87,221	119,380	110,365	9,015
Total expenditures	1,355,645	1,604,698	1,482,432	122,266
Other financing sources (uses)				
Transfers in	189,793	189,793	189,793	-
Debt service principal			(20,069)	(20,069)
Debt service interest			(2,094)	(2,094)
Total other financing sources (uses)	189,793	189,793	167,630	(22,163)
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	21,553	89,340	186,828	97,488
Fund balance, beginning of the year	886,290	1,213,478	1,213,478	-
Fund balance, end of the year	\$ 907,843	\$ 1,302,818	\$ 1,400,306	\$ 97,488

TOWN OF MANCOS, COLORADO
Other Supplementary Information

December 31, 2017

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules
Non major governmental funds
 Conservation Trust Fund
Enterprise Funds
 Water Fund
 Sewer Fund

TOWN OF MANCOS, COLORADO
Non Major Governmental Funds

December 31, 2017

Special Revenue Funds- are used to account for revenues from specific taxes or other designated revenue sources which are legally restricted to expenditures for specific purposes.

Conservation Trust Fund-accounts for the revenues and expenditures related to the Town's parks and recreation activities

TOWN OF MANCOS, COLORADO

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
Conservation Trust Fund

For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental Lottery	\$ 12,750	\$ 13,925	\$ 13,944	\$ 19
Total intergovernmental revenues	<u>12,750</u>	<u>13,925</u>	<u>13,944</u>	<u>19</u>
Earnings on investments	<u>50</u>	<u>50</u>	<u>40</u>	<u>(10)</u>
Total revenues	<u>12,800</u>	<u>13,975</u>	<u>13,984</u>	<u>9</u>
Expenditures				
Culture and recreation Parks and improvements	10,112	11,237	10,753	484
Total expenditures	<u>10,112</u>	<u>11,237</u>	<u>10,753</u>	<u>484</u>
Excess of revenues over (under) expenditures	2,688	2,738	3,231	493
Fund balance, beginning	14,562	23,164	23,164	-
Fund balance, ending	<u>\$ 17,250</u>	<u>\$ 25,902</u>	<u>\$ 26,395</u>	<u>\$ 493</u>

TOWN OF MANCOS, COLORADO
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Proprietary Fund
Enterprise Fund
Water Fund

For the Year Ended December 31, 2017

	Budgeted Amounts		(Non GAAP Basis) Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
Operating Revenues				
General water fees	\$ 350,000	\$ 370,763	\$ 400,549	\$ 29,786
Water dock	23,000	22,000	23,948	1,948
Penalties	4,000	3,000	3,480	480
Other		12,871	12,871	-
Total operating revenues	<u>377,000</u>	<u>408,634</u>	<u>440,848</u>	<u>32,214</u>
Operating Expenses				
Water administration	129,745	159,098	103,448	55,650
Plant and storage	39,200	43,700	37,175	6,525
Distribution	16,150	19,200	17,076	2,124
Capital outlay	546,649	700,887	584,875	116,012
Total Operating Expenses	<u>731,744</u>	<u>922,885</u>	<u>742,574</u>	<u>180,311</u>
Operating income (loss)	<u>(354,744)</u>	<u>(514,251)</u>	<u>(301,726)</u>	<u>212,525</u>
Non-Operating Revenue (Expenses)				
Tap fees	10,810	26,937	28,686	1,749
Earnings on investments	300	300	310	10
Grants	402,089	376,765	377,245	480
Transfers out	(122,565)	(122,565)	(122,565)	-
Debt Service				
Principal	(48,926)	(48,951)	(30,521)	18,430
Interest			(16,214)	(16,214)
Total Non-Operating Revenue	<u>241,708</u>	<u>232,486</u>	<u>236,941</u>	<u>4,455</u>
Change in net position non GAAP basis	(113,036)	(281,765)	(64,785)	216,980
Add debt service-principal			30,521	30,521
Add capital outlay			584,875	584,875
Less depreciation expense			(104,819)	(104,819)
Change in net position	(113,036)	(281,765)	445,792	727,557
Net position beginning of the year	1,458,478	1,446,333	1,446,333	-
Net position end of the year	<u>\$ 1,345,442</u>	<u>\$ 1,164,568</u>	<u>\$ 1,892,125</u>	<u>\$ 727,557</u>

TOWN OF MANCOS, COLORADO
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
Proprietary Fund
Enterprise Fund
Sewer Fund

For the Year Ended December 31, 2017

	Budgeted Amounts		(Non GAAP Basis) Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
Operating Revenues				
General sewer fees	\$ 296,176	\$ 296,176	\$ 299,609	\$ 3,433
Penalties	3,600	3,600	2,968	(632)
Other				-
Total operating revenues	<u>299,776</u>	<u>299,776</u>	<u>302,577</u>	<u>2,801</u>
Operating Expenses				
Sewer administration	100,712	100,712	67,257	33,455
Plant operation	189,779	189,779	73,365	116,414
Collection	5,350	5,350	4,920	430
Total Operating Expenses	<u>295,841</u>	<u>295,841</u>	<u>145,542</u>	<u>150,299</u>
Operating income (loss)	<u>3,935</u>	<u>3,935</u>	<u>157,035</u>	<u>153,100</u>
Non-Operating Revenue (Expenses)				
Tap fees	10,810	10,810	25,798	14,988
Earnings on investments	300	300	309	9
Transfers out	(67,228)	(67,228)	(67,228)	-
Debt Service				
Principal	(52,965)	(52,965)	(52,925)	40
Interest			-	-
Total Non-Operating Revenue	<u>(109,083)</u>	<u>(109,083)</u>	<u>(94,046)</u>	<u>15,037</u>
Change in net position non GAAP basis	(105,148)	(105,148)	62,989	168,137
Add debt service-principal			52,925	52,925
Less depreciation expense			(211,782)	(211,782)
Change in net position	<u>(105,148)</u>	<u>(105,148)</u>	<u>(95,868)</u>	<u>9,280</u>
Net position beginning of the year	3,073,434	2,968,286	3,073,434	105,148
Net position end of the year	<u>\$ 2,968,286</u>	<u>\$ 2,863,138</u>	<u>\$ 2,977,566</u>	<u>\$ 114,428</u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

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

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

This Information From The Records Of (example - City of _ or County of _
Town of Mancos, Colorado) Prepared By: Majors and Haley P.C.
Phone: 970-565-9521

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	403,115
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	177,430
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	402,634	b. Snow and ice removal	
3. Other local imposts (from page 2)	15,487	c. Other	15,145
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	15,145
5. Transfers from toll facilities		4. General administration & miscellaneous	6,272
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	601,962
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	418,121	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	183,841	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	601,962	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	601,962

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		601,962	601,962		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 31, 2017

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	15,487	g. Other Misc. Receipts	
6. Total (1. through 5.)	15,487	h. Other	
c. Total (a. + b.)	15,487	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	32,454	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	13,639	d. Federal Transit Admin	
d. Other (Specify) - CDOT Grant	137,748	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	151,387	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	183,841	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation		403,115	403,115
(5). Total Construction (1) + (2) + (3) + (4)	0	403,115	403,115
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	403,115	403,115
			(Carry forward to page 1)

Notes and Comments: