



TOWN OF PALISADE, COLORADO  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2016

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**INDEPENDENT AUDITOR'S REPORT**

June 6, 2017

Board of Trustees  
Town of Palisade, Colorado

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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**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 Palisade, 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**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension information on pages 4-11 and 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Palisade’s basic financial statements. The non-major governmental fund combining statements, the Capital Improvement, Tourism, Conservation Trust, Palisade Rural Fire Protection District, Water and Utility Funds budgetary schedules, and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2017, on our consideration of the Town's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

## Management's Discussion and Analysis

As Town of Palisade Management, we offer readers of the Town of Palisade financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2016.

### Financial Highlights

- The Town of Palisade's assets and deferred outflows of resources of \$29.6 million exceeded Town liabilities and deferred inflows of resources of \$6.2 million by \$23.4 million as of December 31, 2016. Of this amount, \$6.2 million is unrestricted, \$17.1 million is invested in capital assets such as land and improvements, buildings, vehicles, furniture and equipment and \$141,068 is held for emergencies in compliance with Article X of the Colorado State Constitution.
- Total revenue for the Town increased 4.2% in 2016 mainly from a capital grant for the purchase of land. Operating expenses increased by 68.8% mainly from an impairment loss of \$3,603,033 (see Note D - Capital Assets) which resulted in a decrease in the Town's net position of \$2,372,216.
- During 2016 the Town increased current assets by \$134,512 and reduced long term liabilities by \$222,793, both of which contributed positively to the Town's net position.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Palisade's basic financial statements, which are comprised of government-wide financial statements, governmental funds financial statements, proprietary fund financial statements, fiduciary fund financial statements and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Palisade finances in a manner similar to a private sector business.

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

The *statement of activities* presents information showing how the Town's net position changed over the past year. All changes in the Town's net position are reported when an "event" causing a change occurs, regardless of when related cash flows actually take place. As a result, some revenues and expenses, reported in this statement, will result in cash flows in future financial periods. Examples include grants, not yet reimbursed or vacation leave earned, but not used.

Both of the government-wide financial statements distinguish activities of the Town of Palisade that are primarily supported by taxes and state or federal monies (intergovernmental activities) from activities that are intended to be funded primarily from user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works and parks, culture and recreation and cemetery. The business-type activities of the Town include water, sewer, and refuse.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been set aside for specific activities or purposes. The Town of Palisade uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be categorized into two fund types: governmental and proprietary.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, governmental fund financial statements focus on near-term flows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is helpful in evaluating the Town's near-term financing requirements.

Because the focus of the 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, as readers may better understand the impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town of Palisade maintains five governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance for the *General Fund* and the *Capital Improvement Fund* which are considered to be major funds.

**Proprietary Funds.** The Town of Palisade maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for water, sewer and refuse activities. The enterprise funds financial statements provide separate information for the water and sewer and refuse funds, which are considered to be major funds of the Town.

**Budgetary Comparisons.** The Town of Palisade adopts an annual appropriated budget for all of its funds. Budget to actual comparisons for each fund are provided elsewhere in this report.

**Notes to the Financial Statements.** These notes provide additional information that is necessary in gaining a full understanding of the data provided in the government-wide and fund financial statements.

## **FINANCIAL ANALYSIS**

**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.4 million. The Town's net position as of December 31, 2015 was \$25.7 million.

The following table provides a summary of the Town's governmental and business-type net position as of December 31, 2016 with comparison to December 31, 2015.



	Net Position				
	Governmental		Business-Type		Total
	Activities		Activities		
	2015	2016	2015	2016	2016
<b>Assets</b>					
Current Assets	\$2,623,455	\$2,714,677	\$3,828,654	\$3,871,944	\$6,586,621
Capital Assets	11,673,846	9,127,162	13,097,189	13,074,810	22,201,972
Net Pension Asset	635,090	507,433	-	-	507,433
<b>Total Assets</b>	<b>14,932,391</b>	<b>12,349,272</b>	<b>16,925,843</b>	<b>16,946,754</b>	<b>29,296,026</b>
Deferred Outflows of Resources	113,641	297,484	-	-	297,484
<b>Total Assets and Deferred Outflows Of Resources</b>	<b>15,046,032</b>	<b>12,646,756</b>	<b>16,925,843</b>	<b>16,946,754</b>	<b>29,593,510</b>
<b>Liabilities</b>					
Current Liabilities	284,794	363,389	319,445	456,455	819,844
Long-Term Liabilities	21,378	10,500	5,122,696	4,910,781	4,921,281
<b>Total Liabilities</b>	<b>306,172</b>	<b>373,889</b>	<b>5,442,141</b>	<b>5,367,236</b>	<b>5,741,125</b>
Deferred Inflows of Resources	496,912	497,951	-	-	497,951
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>803,084</b>	<b>871,840</b>	<b>5,442,141</b>	<b>5,367,236</b>	<b>6,239,076</b>
<b>Net Position</b>					
Net Investment in					
Capital Assets	11,642,160	9,105,784	7,770,532	7,954,576	17,060,360
Restricted for Emergencies	129,069	141,068	-	-	141,068
Unrestricted	2,471,719	2,528,065	3,713,170	3,624,942	6,153,007
<b>Total Net Position</b>	<b>\$14,242,948</b>	<b>\$11,774,916</b>	<b>\$11,483,702</b>	<b>\$11,579,518</b>	<b>\$23,354,434</b>

The Town of Palisade's assets and deferred outflows of resources were 4.7 times the Town's total liabilities and deferred inflows of resources at December 31, 2016. Total current assets were 8.0 times total current liabilities. The total amount of the long-term liabilities is comprised of two water fund loans from the drinking water revolving fund disadvantaged community loan program with the Colorado Water Resources & Power Development Authority to rebuild the water treatment plant. In addition, in 2012 the Town issued \$995,000 in water revenue bonds with interest rates ranging from 2.63% and 3.00%. The bonds are special revenue obligations of the Town, payable from the net pledged water revenues derived from the Town's Water Activity Enterprise. These bonds were used to pay off two existing water fund loans with interest rates of 4.00%.

Approximately 73.0% of the Town’s net position is invested in capital assets that are being used in the operation of the Town and infrastructure assets that are provided and maintained by the Town. Infrastructure assets completed before January 1, 2004, and still in place, are not included in net position. In prior years capital assets for non-proprietary funds were only shown on the combined balance sheet as the “general fixed assets” account group. These assets were not included with other assets in governmental fund type funds.

**Changes in Net Position.** Governmental and business-type activities decreased the Town’s net position by \$2,372,216 in 2016. The following table indicates the changes in net position for governmental and business-type activities for 2015 and 2016.

	Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2015	2016
	2015	2016	2015	2016	2015	2016
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$882,884	\$711,497	\$1,693,354	\$1,697,207	\$2,576,238	\$2,408,704
Operating Grants and Contributions	85,584	97,069	17,116	-	102,700	97,069
Capital Grants and Contributions	859,313	1,419,515	208,850	79,105	1,068,163	1,498,620
<b>General Revenues</b>						
Property Taxes	494,827	493,754	-	-	494,827	493,754
Other Taxes	1,977,373	1,974,513	-	-	1,977,373	1,974,513
Other Revenue	2,306	5,902	12,098	18,457	14,404	24,359
<b>Total Revenues</b>	<b>4,302,287</b>	<b>4,702,250</b>	<b>1,931,418</b>	<b>1,794,769</b>	<b>6,233,705</b>	<b>6,497,019</b>
<b>Expenses</b>						
General Government	1,101,564	4,706,983	-	-	1,101,564	4,706,983
Public Safety	1,536,674	1,389,718	-	-	1,536,674	1,389,718
Public Works	478,136	538,983	-	-	478,136	538,983
Culture & Recreation	546,344	493,163	-	-	546,344	493,163
Cemetery	46,284	41,435	-	-	46,284	41,435
Water	-	-	1,025,302	1,040,389	1,025,302	1,040,389
Sewer and Refuse	-	-	518,573	658,564	518,573	658,564
<b>Total Expenses</b>	<b>3,709,002</b>	<b>7,170,282</b>	<b>1,543,875</b>	<b>1,698,953</b>	<b>5,252,877</b>	<b>8,869,235</b>
<b>Change in Net Position</b>	<b>593,285</b>	<b>(2,468,032)</b>	<b>387,543</b>	<b>95,816</b>	<b>980,828</b>	<b>(2,372,216)</b>
<b>Net Position</b>						
Beginning of Year	12,684,253	14,242,948	11,096,159	11,483,702	23,780,412	25,726,650
Change in Accounting Principle	965,410	-	-	-	965,410	-
Beginning-Restated	13,649,663	14,242,948	11,096,159	11,483,702	24,745,822	25,726,650
<b>End of Year</b>	<b>14,242,948</b>	<b>11,774,916</b>	<b>11,483,702</b>	<b>11,579,518</b>	<b>25,726,650</b>	<b>23,354,434</b>

Total revenues for combined governmental and business-type activities increased 4.2% for 2016. Total combined revenues were made up of 61.6% direct program revenues and 38.4% general revenues.

- The major program revenues for governmental activities were as follows:
  - ❖ Charges for services were 31.9% of program revenues. The sources of this revenue were: general government charges for services, fees, fines, etc. \$88,840, public safety \$158,932, public works and parks \$26,224, culture and recreation \$382,626 and cemetery \$54,875.
  - ❖ Capital contributions and grants were 68.1% of program revenues. These grants were received for general government \$100,000; public safety \$26,748; public works and parks \$41,332; and culture and recreation; \$1,348,504.
- The general revenues for governmental activities were 52.6% of total governmental revenues. The major governmental general revenue activities were as follows:
  - ❖ Property taxes were 10.5% of total revenues and, 20.0% of general revenues.
  - ❖ Sales taxes were 28.6% of total revenues and 54.4% of general revenues.
  - ❖ Other taxes were 13.3% of total revenues and 25.4% of general revenues.
- The major program revenues for business-type activities were:
  - ❖ Charges for services were 94.6% of total business-type activities revenues. Each business-type activity charges for the specific products and/or services for which the activity was established. The major revenues for 2016 were water service fees \$1,002,779 and sewer and refuse collection fees \$694,428.

The total expenses for combined governmental and business-type activities were made up of \$7,170,282 of expenses for governmental activities and \$1,698,953 of expenses for business-type activities. Of the total expenses, 80.8% were for governmental activities and 19.2% for business-type activities.

- The percentage of Town expenses for each type of governmental activity is:
  - ❖ 65.6% – General Government
  - ❖ 19.4% – Public Safety
  - ❖ 7.5% – Public Works
  - ❖ 6.9% – Culture and Recreation
  - ❖ 0.6% – Cemetery
- The percentage of total Town expenses for each business-type activity is:
  - ❖ 61.2% – Water
  - ❖ 38.8% – Sewer & Refuse Collection

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As mentioned earlier, The Town of Palisade uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of 2016, the combined ending fund balances of the Town of Palisade's governmental funds were \$2,066,076. Of this amount 83.4% is unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. Of the remaining, \$64,988 is non-spendable funds, \$67,691 is restricted for park improvements, \$141,068 is restricted for emergencies and not available for new spending, \$13,950 is assigned for marketing and \$56,154 is assigned for public safety.

The Town has two major governmental funds: The General Fund and the Capital Improvement Fund.

#### *General Fund*

The fund balance of the general fund was \$1,928,910 at December 31, 2016. Of this balance, 89.3% is unassigned. Of the remaining, \$64,988, is non-spendable funds and \$141,068, is restricted for emergencies in compliance with Title-X of the Colorado constitution.

The unassigned fund balance is available for working capital and will be used for subsequent operations. Working capital is also available for immediate cash disbursements in the subsequent period.

Most of the ratios that are used in the financial analysis of business organizations provide only limited information in an analysis of a governmental type fund; however, governmental funds that are in severely bad liquidity condition can often be recognized by such an analysis. Therefore, the following items and relationships are presented for the Town of Palisade's general fund at December 31, 2016:

1. Working Capital (assets minus liabilities and deferred inflows of resources) was \$1,928,910. The general fund balance on the fund balance sheet is the fund's "working capital." However, a portion of the fund balance is restricted or non-spendable and may not be available for use as working capital. Therefore, the unassigned fund balance of \$1,722,855 is considered "working capital" as a measure of liquidity for the fund.
2. Current Ratio (current assets divided by current liabilities and deferred inflows of resources) 4.85:1  
Modified Current Ratio (current assets less property tax accrual divided by current liabilities): 15.3:1  
the current ratio is used, by business organizations, to display the ability to meet currently maturing obligations.

While the analysis provided above must be combined with other information in order to develop a certain conclusion as to the liquidity and the probability of continuation of financial operations by the Town of Palisade general fund, it is also obvious that the Town's general fund level of liquidity is not deficient.

#### *Capital Improvement Fund*

This fund was established to account for the receipt of grant funds which were used to purchase land for the future development of a sport shooting complex.

**Proprietary Funds.** The Town's proprietary fund statement provides the same type of information found in the government-wide financial statements, but in greater detail.

As of the end of 2016, the combined ending net position of the Town of Palisade's enterprise funds was \$11,579,518. Of this amount 31.3% is unrestricted net position, which is available as working capital and for current spending.

The Town has two major enterprise funds, *the Water Fund and the Utility Fund*. The Water Fund is used to account for water activities. The Utility Fund is used to account for sewer and solid refuse activities for the Town. At December 31, 2016, the *Water Fund and the Utility Fund* had total assets, which equaled 3.2 times the total liabilities. 68.7% of the funds' net position was invested in capital assets. 31.3% of the funds' net position is unrestricted and available as working capital and to be used for subsequent operations. The Utility Fund and the Water Fund are enterprise funds with a large ratio of capital assets. These funds will often require large amounts of capital outlay. This causes special cash flow needs for these funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town’s budget is prepared and approved according to Colorado statutes.

The Town of Palisade’s Trustees budgeted \$3,187,698 for 2016 general fund revenues.

The Town’s General Fund Budget is shown below:

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Beginning Balance</b>	\$ -	\$ 34,405	\$1,897,084
Revenues and Other Financing Sources	3,221,342	3,310,098	3,226,646
Expenditures and Other Financing Uses	3,213,113	3,344,503	3,194,820
<b>Ending Balance</b>	<b>\$ 8,229</b>	<b>\$ -</b>	<b>\$1,928,910</b>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Town’s capital assets at December 31, 2016 are presented in the following table. Also see Note D in the footnotes for further detail.

<b>Capital Assets, Net of Depreciation</b>			
<b>December 31, 2016</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$1,998,964	\$226,126	\$2,225,090
Water Rights	-	162,452	162,452
Construction in Progress	-	25,059	25,059
Swimming Pool/Community Center	159,465	-	159,465
Water/Sewer System	-	12,574,996	12,574,996
Building and Improvements	3,955,826	-	3,955,826
Equipment and Furniture	281,435	86,177	367,612
Infrastructure	2,731,472	-	2,731,472
<b>Total</b>	<b>\$9,127,162</b>	<b>\$13,074,810</b>	<b>\$22,201,972</b>

Government activities include a capital lease for one police vehicle leased in 2015. The present value of the minimum lease payments for this lease at December 31, 2016 is \$21,378. See Note F in the footnotes for further detail.

Business-type activities, specifically the Water Fund, currently have two notes payable and one outstanding bond issue as noted above. Debt was incurred for repair and replacement of a water line and reservoir expansion and to rebuild the water treatment plant. The total amount due at December 31, 2016 was \$5,120,234, which includes unamortized debt premiums of \$29,538. See Note E in the footnotes for further detail.

## **Items of Interest for 2016**

- Reflecting the continued economic pressures on the western slope, sales tax revenues decreased 2.8% in 2016. Sales taxes are the largest single source of continuing governmental revenue for the Town. Property tax revenue for the Town, including the Palisade Rural Fire Protection District, decreased 0.2% due to property market values similar to 2015.
- Capital asset additions during 2016 in governmental activities were \$1,547,177 due mainly to land purchased, using grant proceeds, for future development of a sport shooting complex; business-type activities additions were \$446,539, including improvements to the water and utility systems and the on-going purchase of water rights. Capital grants and contribution revenue in governmental activities were \$1,419,515 and \$79,105 in business-type activities for a total of \$1,498,620. An impairment loss of \$3,603,033 was recorded in governmental activity depreciation expense in 2016 to adjust a building and land held for future development to estimated fair market value.

## **ECONOMIC FACTORS AND CONDITIONS**

As noted above, the Town continues to pursue areas of capital expansion. With the continuation of a challenging economic environment on the western slope, revenue constraints on sales and property taxes and grant funding from State sources declining, the 2016 current operating budget focused on public safety and maintenance. The 2016 capital budget included capital projects for water and sewer system improvements. Our goal of taking care of facilities and systems, infrastructure maintenance, replacing needed equipment and developing programs for new services remains a priority. The Septic elimination capital project in the utility fund was on-going throughout 2016 and will continue into 2017. The Town has had some changes in staff, but the overall number of FTE's remained close to 2015 staff levels.

The Town responded to limited tax revenue increases in 2016 by continuing to monitor expenses and delaying discretionary capital projects.

### **Board Direction for 2017**

The Palisade Board of Trustees continues to support the town mission statement that supports opportunities for agriculture, business, recreation and protecting our diverse community and our citizen's quality of life. We continue to actively seek economic development for the Town and have started to see some improvement in 2017.

The Town will also be studying new options for revenue to do more aggressive street maintenance, reduce our capital improvements plan to a sustainable list during this slower economy and yet continue to seek improvements in our ability to communicate with our citizens.

### **Conclusion**

County sales tax revenues seem to have stabilized and have increased minimally beginning in 2017. Property tax revenues continue to experience pressure but have shown some increase in property values. The 2017 budget has been held close to the same expenditures of 2016 for these reasons. We believe sales tax and property tax revenues will show some growth in 2017 and moving forward.

The economy will be monitored carefully and the Town will stand ready to respond appropriately to deteriorating revenue scenarios or outside funding opportunities.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Town of Palisade's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Palisade Trustees, P.O. Box 128, Palisade, CO 81526.

# **Basic Financial Statements**

Town of Palisade, Colorado  
STATEMENT OF NET POSITION

December 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,525,733	\$ 3,634,557	\$ 5,160,290
Property taxes receivable	490,620	-	490,620
Accounts receivable	631,003	147,689	778,692
Lodging tax receivable	2,333	-	2,333
Prepaid expenses	64,988	42,931	107,919
Inventory (at cost)	-	46,767	46,767
Total current assets	<u>2,714,677</u>	<u>3,871,944</u>	<u>6,586,621</u>
<b>Capital assets</b>			
Land	1,998,964	226,126	2,225,090
Construction in progress	-	25,059	25,059
Water rights	-	162,452	162,452
Infrastructure (net of depreciation)	2,731,472	-	2,731,472
Swimming pool (net of depreciation)	82,817	-	82,817
Community center (net of depreciation)	76,648	-	76,648
Sewer system (net of depreciation)	-	2,406,925	2,406,925
Water system (net of depreciation)	-	10,168,071	10,168,071
Buildings and improvements (net of depreciation)	3,955,826	-	3,955,826
Equipment and furniture (net of depreciation)	281,435	86,177	367,612
Net pension asset	507,433	-	507,433
Total assets	<u>12,349,272</u>	<u>16,946,754</u>	<u>29,296,026</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	297,484	-	297,484
Total assets and deferred outflows of resources	<u>12,646,756</u>	<u>16,946,754</u>	<u>29,593,510</u>
<b>LIABILITIES</b>			
Accounts payable	51,785	143,689	195,474
Accrued expenses	72,173	12,771	84,944
Accrued interest	-	43,733	43,733
Unearned revenue	34,023	-	34,023
Compensated absences payable	194,530	46,809	241,339
Current portion long-term liabilities	10,878	209,453	220,331
Total current liabilities	<u>363,389</u>	<u>456,455</u>	<u>819,844</u>
<b>Long-term liabilities due more than one year:</b>			
Bonds, notes and capital leases payable	10,500	4,910,781	4,921,281
Total liabilities	<u>373,889</u>	<u>5,367,236</u>	<u>5,741,125</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes	490,620	-	490,620
Deferred inflows related to pensions	7,331	-	7,331
Total deferred inflows of resources	<u>497,951</u>	<u>-</u>	<u>497,951</u>
Total liabilities and deferred inflows of resources	<u>871,840</u>	<u>5,367,236</u>	<u>6,239,076</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,105,784	7,954,576	17,060,360
Restricted for emergencies	141,068	-	141,068
Unrestricted	2,528,065	3,624,942	6,153,007
Total net position	<u>\$ 11,774,916</u>	<u>\$ 11,579,518</u>	<u>\$ 23,354,434</u>

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



Town of Palisade, Colorado

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

Functions/Programs	Program Revenues				Net (expense) revenue		
	Expenses	Charges for Services and Fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 4,706,983	\$ 88,840	\$ -	\$ 100,000	\$ (4,518,143)		\$ (4,518,143)
Public safety	1,389,718	158,932	26,748	-	(1,204,038)		(1,204,038)
Public works and parks	538,983	26,224	41,332	-	(471,427)		(471,427)
Culture and recreation	493,163	382,626	28,989	1,319,515	1,237,967		1,237,967
Cemetery	41,435	54,875	-	-	13,440		13,440
Total governmental activities	<u>7,170,282</u>	<u>711,497</u>	<u>97,069</u>	<u>1,419,515</u>	<u>(4,942,201)</u>		<u>(4,942,201)</u>
<b>Business-type Activities:</b>							
Water	1,040,389	1,002,779	-	26,605		\$ (11,005)	(11,005)
Sewer and refuse	658,564	694,428	-	52,500		88,364	88,364
Total business-type activities	<u>1,698,953</u>	<u>1,697,207</u>	<u>-</u>	<u>79,105</u>		<u>77,359</u>	<u>77,359</u>
Total primary government	<u>\$ 8,869,235</u>	<u>\$ 2,408,704</u>	<u>\$ 97,069</u>	<u>\$ 1,498,620</u>	<u>(4,942,201)</u>	<u>77,359</u>	<u>(4,864,842)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					493,754	-	493,754
Sales taxes					1,347,049	-	1,347,049
Other					627,464	-	627,464
Interest income					5,902	18,457	24,359
Total general revenues					<u>2,474,169</u>	<u>18,457</u>	<u>2,492,626</u>
Change in net position					<u>(2,468,032)</u>	<u>95,816</u>	<u>(2,372,216)</u>
Net position - beginning of year					<u>14,242,948</u>	<u>11,483,702</u>	<u>25,726,650</u>
Net position - end of year					<u>\$ 11,774,916</u>	<u>\$ 11,579,518</u>	<u>\$ 23,354,434</u>

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

Town of Palisade, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	General Fund	Capital Improvement Fund	Non-major Governmental Funds	Total
<b>Assets</b>				
Cash and investments	\$ 1,417,423	\$ 10,451	\$ 97,859	\$ 1,525,733
Accounts receivable				
Fire, rescue and other (net of allowance)	156,491	-	-	156,491
Other governments	406,835	-	49,951	456,786
Franchise taxes	17,726	-	-	17,726
Property tax receivable	366,363	-	124,257	490,620
Lodging and other tax receivable	-	-	2,333	2,333
Due from other funds	629	-	-	629
Prepaid expenses	64,988	-	-	64,988
Total assets	<u>2,430,455</u>	<u>10,451</u>	<u>274,400</u>	<u>2,715,306</u>
<b>Liabilities</b>				
Accounts payable	39,437	-	12,348	51,785
Accrued liabilities	61,722	10,451	-	72,173
Due to other funds	-	629	-	629
Unearned revenue	34,023	-	-	34,023
Total liabilities	<u>135,182</u>	<u>11,080</u>	<u>12,348</u>	<u>158,610</u>
<b>Deferred inflows of resources</b>				
Property taxes	366,363	-	124,257	490,620
Total deferred inflows of resources	<u>366,363</u>	<u>-</u>	<u>124,257</u>	<u>490,620</u>
Total liabilities and deferred inflows of resources	<u>501,545</u>	<u>11,080</u>	<u>136,605</u>	<u>649,230</u>
<b>Fund balances</b>				
Non-spendable	64,988	-	-	64,988
Restricted for emergency reserve	141,068	-	-	141,068
Restricted for park improvements	-	-	67,691	67,691
Assigned for marketing	-	-	13,950	13,950
Assigned for public safety	-	-	56,154	56,154
Unassigned	1,722,855	(629)	-	1,722,226
Total fund balances	<u>\$ 1,928,910</u>	<u>\$ (629)</u>	<u>\$ 137,795</u>	<u>\$ 2,066,076</u>
Total governmental fund balances (as reported above)				\$ 2,066,076
Amounts reported for governmental activities in the statement of net position are different because:				
Compensated absences reported as long-term liabilities in governmental activities are not reported in the funds.				(194,530)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.				9,127,162
Net pension asset is not available soon enough to pay for the current year's expenditures and therefore is not reported in the funds				507,433
The amount by which deferred outflows of resources are greater than deferred inflows of resources related to pensions, both of which are not recorded in the funds (\$297,484 - \$7,331)				290,153
Capital leases used in governmental activities are not financial resources and are not reported in the funds.				(21,378)
Net position of governmental activities				<u>\$ 11,774,916</u>

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

Town of Palisade, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year ended December 31, 2016

	General Fund	Capital Improvement Fund	Non-major Governmental Funds	Total
<b>Revenues</b>				
Taxes and special assessments	\$ 2,207,161	\$ -	\$ 175,406	\$ 2,382,567
License and permits	23,006	-	-	23,006
Intergovernmental	105,641	1,319,515	113,940	1,539,096
Fines and forfeitures	17,119	-	-	17,119
Charges for services	576,801	-	-	576,801
Interest income	5,408	-	493	5,901
Miscellaneous	157,010	-	750	157,760
Total revenues	3,092,146	1,319,515	290,589	4,702,250
<b>Expenditures</b>				
<b>Current:</b>				
General government	954,249	-	26,091	980,340
Public safety	1,242,403	-	17,926	1,260,329
Public works and parks	507,944	-	-	507,944
Culture and recreation	393,863	6,907	-	400,770
Cemetery	39,358	-	-	39,358
<b>Capital outlay:</b>				
General government	9,643	-	-	9,643
Public safety	5,188	-	84,951	90,139
Public works and parks	16,568	-	16,156	32,724
Culture and recreation	13,838	1,313,237	-	1,327,075
<b>Debt service:</b>				
Principal and interest	11,766	-	-	11,766
Total expenditures	3,194,820	1,320,144	145,124	4,660,088
Excess of revenues over (under) expenditures	(102,674)	(629)	145,465	42,162
<b>Other financing sources (uses)</b>				
Transfers in (out)	134,500	-	(134,500)	-
Net change in fund balance	31,826	(629)	10,965	42,162
Fund balance, January 1	1,897,084	-	126,830	2,023,914
Fund balance, December 31	\$ 1,928,910	\$ (629)	\$ 137,795	\$ 2,066,076

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

Town of Palisade, Colorado

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2016

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Change in fund balance from the Statement of Revenues, Expenditures and Changes in Fund Balance \$ 42,162

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

Governmental funds report capital lease proceeds and principal payments as other financing sources and expenditures, respectively. However, in the statement of net position the proceeds and principal payments increase or reduce the liability. This is the difference between capital lease proceeds and principal payments during the year (\$0 - \$10,308). 10,308

Governmental funds do not report accrued compensated absences as part of expenditures. However, they are reported as expenses in the statement of activities. This is the amount accrued compensated absences changed in the Statement of Net Position from the prior year. (25,230)

Governmental funds report expenditures related to pension obligations measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas, in the statement of activities, they are measured on the full accrual basis. This is the amount of the increase in deferred outflows of resources (\$297,484 - \$113,641), the decrease in net pension asset (\$507,433 - \$635,090), and the increase in deferred inflows of resources (\$2,557 - \$7,331). 51,412

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount that capital outlays were less than depreciation in the current period (\$1,547,177 - \$4,093,861). (2,546,684)

Change in net position of governmental activities \$ (2,468,032)

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

Town of Palisade, Colorado

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2016

	Water Fund	Utility Fund	Total Business-type
<b>Assets</b>			
Cash and investments	\$ 1,321,313	\$ 2,313,244	\$ 3,634,557
Customer accounts receivable (net of allowance)	77,736	69,953	147,689
Prepaid expenses	41,786	1,145	42,931
Inventory (at cost)	46,767	-	46,767
Total current assets	<u>1,487,602</u>	<u>2,384,342</u>	<u>3,871,944</u>
<b>Capital assets</b>			
Land	-	226,126	226,126
Construction in progress	-	25,059	25,059
Water rights	162,452	-	162,452
Sewer system (net of depreciation)	-	2,406,925	2,406,925
Water system (net of depreciation)	10,168,071	-	10,168,071
Equipment and furniture (net of depreciation)	52,563	33,614	86,177
Total assets	<u>11,870,688</u>	<u>5,076,066</u>	<u>16,946,754</u>
<b>Liabilities</b>			
Accounts payable	103,603	40,086	143,689
Accrued wages	8,806	3,965	12,771
Accrued interest	43,733	-	43,733
Compensated absences	32,649	14,160	46,809
Long-term liabilities - current portion	209,453	-	209,453
Total current liabilities	<u>398,244</u>	<u>58,211</u>	<u>456,455</u>
Long-term liabilities	4,910,781	-	4,910,781
Total liabilities	<u>5,309,025</u>	<u>58,211</u>	<u>5,367,236</u>
<b>Net Position</b>			
Net investment in capital assets	5,262,852	2,691,724	7,954,576
Unrestricted	1,298,811	2,326,131	3,624,942
Total net position	<u>\$ 6,561,663</u>	<u>\$ 5,017,855</u>	<u>\$ 11,579,518</u>

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

Town of Palisade, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS

Year ended December 31, 2016

	Water Fund	Utility Fund	Total Business-type
Operating revenues			
Charges for service	\$ 1,002,779	\$ 694,428	\$ 1,697,207
Total operating revenues	1,002,779	694,428	1,697,207
Operating expenses			
Direct costs to provide service	593,652	508,275	1,101,927
Depreciation	318,629	150,289	468,918
Total operating expenses	912,281	658,564	1,570,845
Operating income (loss)	90,498	35,864	126,362
Nonoperating revenues (expenses)			
Grant revenue	-	47,000	47,000
Interest income and penalties	6,104	12,353	18,457
Tap fees	26,605	5,500	32,105
Interest expense	(128,108)	-	(128,108)
Total nonoperating revenues (expenses)	(95,399)	64,853	(30,546)
Change in net position	(4,901)	100,717	95,816
Net position, beginning	6,566,564	4,917,138	11,483,702
Net position, ending	\$ 6,561,663	\$ 5,017,855	\$ 11,579,518

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

Town of Palisade, Colorado

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2016

	Water Fund	Utility Fund	Total Business-type
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Cash received from customers	\$ 1,001,393	\$ 700,135	\$ 1,701,528
Cash payments to employees	(220,270)	(89,826)	(310,096)
Cash payments to suppliers	(272,829)	(390,677)	(663,506)
Net cash provided (used) by operating activities	<u>508,294</u>	<u>219,632</u>	<u>727,926</u>
Cash flows from capital and related financing activities:			
Tap fees	26,605	5,500	32,105
Cash received from grantors for capital project	-	47,000	47,000
Capital asset acquisitions	(211,295)	(235,244)	(446,539)
Principal payments long-term debt	(203,961)	-	(203,961)
Interest payments on notes	(132,287)	-	(132,287)
Net cash provided (used) by capital and related financing activities	<u>(520,938)</u>	<u>(182,744)</u>	<u>(703,682)</u>
Cash flows from investing activities:			
Interest income	6,104	12,353	18,457
Net cash provided (used) by investing activities	<u>6,104</u>	<u>12,353</u>	<u>18,457</u>
Increase (decrease) in cash and cash equivalents	(6,540)	49,241	42,701
Cash and cash equivalents at beginning of year	1,327,853	2,264,003	3,591,856
Cash and cash equivalents at end of year	<u>\$ 1,321,313</u>	<u>\$ 2,313,244</u>	<u>\$ 3,634,557</u>
Reconciliation of operating income (loss ) to net cash provided by operating activities			
Operating income (loss)	\$ 90,498	\$ 35,864	\$ 126,362
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities			
Depreciation	318,629	150,289	468,918
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable customers	(1,386)	5,707	4,321
(Increase) decrease in inventory and prepaids	(4,001)	(909)	(4,910)
Increase (decrease) in accounts payable	100,656	25,143	125,799
Increase (decrease) in accrued wages and compensated absences	3,898	3,538	7,436
Total adjustments	<u>417,796</u>	<u>183,768</u>	<u>601,564</u>
Net cash provided by operating activities	<u>\$ 508,294</u>	<u>\$ 219,632</u>	<u>\$ 727,926</u>

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

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Organization

The Town of Palisade, Colorado, (the Town) a statutory municipality operates under a Board of Trustees-Mayor form of government. The Town provides its residents with police protection, sewer service, water service, sanitation service, fire protection, recreation, swimming pool, streets, cemetery, and parks. The Town is governed by an elected mayor and a six member Board of Trustees.

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The Town's financial statements include the activities of the First Street Special Improvement District, the Palisade Downtown Improvement District, and the Palisade Rural Fire Protection District as blended component units in the General Fund and governmental activities. The Districts do not issue separate financial statements.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and user charges for support. The Town has no discretely presented *component units*.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**4. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the Town's operating fund. It accounts for all financial resources of the government except for those required to be reported in another fund.

The Capital Improvement Fund accounts for grant revenues and purchase costs to create a sport shooting and educational facility.

The government reports the following major proprietary funds:

The Water Fund accounts for the water treatment and distribution system.

The Utility Fund accounts for the sewage treatment and collection system and refuse collection.

Additionally, the government reports the following non-major fund types:

The Tourism Special Revenue Fund accounts for lodging tax received and used for tourism based marketing of the Town.

The Conservation Trust Fund accounts for the proceeds of lottery funds received from the State of Colorado.

The Palisade Rural Fire Protection District Fund accounts for property tax received and used for fire protection provided by volunteers for the Town.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**5. Estimates**

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

**6. Risk Management**

The Town is one of several local governments that are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by an intergovernmental agreement in 1982 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. CIRSA is governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**7. Capital Assets**

Capital assets, which include property, plant and equipment, are defined by the Town as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation is provided on the straight-line method over the assets estimated useful lives, as follows:

Water distribution and collection system	10 – 60 years
Sewer collection and treatment system	10 – 50 years
Buildings and building improvements	10 – 100 years
Swimming pool	15 – 40 years
Equipment and furniture	5 – 20 years

**8. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Town considers investments purchased with a maturity of three months or less to be cash equivalents.

**9. Receivables and Payables**

The Town has no interfund loans. Balances outstanding between funds are reported as “due to/from other funds”. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Emergency service receivables are shown net of an allowance for uncollectible accounts. Property tax, Water Fund and Utility Fund accounts receivable do not have an allowance for uncollectible accounts as the receivables are considered to be fully collectible.

**10. Inventory**

Inventory consists of supplies and materials for the Water Fund. Inventory is recorded at cost using the first-in first-out method.

**11. Compensated Absences**

Full-time employees accrue twelve (12) to twenty-four (24) vacation days per year depending on years of service. Accrued and unpaid vacation earned is paid upon termination and is recognized as a current liability in all of the funds. Accrued sick leave is not accrued as it is only payable upon termination by direction of the Board of Trustees.

**12. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**13. Seized Funds**

The Town received \$20,595 in 2016 from the seizure of contraband (seized funds) under the Colorado Contraband Forfeiture Act. The act requires that seized funds be used for law enforcement activities.

**14. Fund Equity and Fund Balances**

The Town has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints. Note that not all of these classifications may be used in a given year.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the Town's highest level of decision making authority, the Board of Trustees, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The Town will only report a positive unassigned fund balance in the General Fund.

**15. Property Taxes**

Property taxes are certified by the Board of Trustees and collected by Mesa County. Property taxes are remitted to the Town by the 10th day of the month following collection. Property taxes receivable represents 2016 taxes that will be collected in 2017.

Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. Taxes are payable either in full on or before April 30 or one half on or before February 28 and the remaining half on or before June 15.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**16. Pensions**

The Town participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The Town also participates in the Palisade Volunteer Fire Department Pension Fund (PVFDP), an agent multiple-employer Public Employee Retirement System (PERS), also administered by FPPA, which represents the assets of numerous separate plans that have been pooled for investment purposes. The net pension liabilities or assets, 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 pensions 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.

**NOTE B – BUDGETS**

Annual budgets are adopted for all funds, except fiduciary funds, of the Town. The Treasurer submits a proposed operating budget for the following calendar year to the Board of Trustees prior to October 15 of each year. The budget is prepared using the modified accrual basis of accounting. The operating budget includes proposed expenditures/expenses and the anticipated revenues. As required by statute, public hearings are conducted to obtain citizen's comments. Prior to the levy of property tax, the budget is legally adopted through the passage of a budget adoption and appropriation resolution no later than December 31. One supplemental appropriation was made during 2016 increasing appropriations in the General Fund, Conservation Trust Fund, Utility Fund, and Water Fund by \$131,390, \$8,000, \$1,000, and \$43,663, respectively.

**NOTE C – CASH AND INVESTMENTS**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the Town's cash deposits had a bank balance of \$1,068,786 of which \$250,000 was covered by federal depository insurance and \$818,786 was collateralized.

At December 31, 2016 the Town's cash and cash equivalents consisted of the following:

Cash on hand	\$ 3,400
Demand accounts	1,028,584
Total cash and equivalents	<u>\$ 1,031,984</u>

Colorado state statutes authorize the Town to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the Town in its name, or in custody of a third party on behalf of the local government.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE C – CASH AND INVESTMENTS – CONTINUED**

The Town has adopted Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure (GASB 40). GASB 40 establishes and modifies disclosure requirements related to investment risks including credit risk, custodial risk, interest rate risk and foreign currency risk.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The Town's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposits Protection Act and are therefore not deemed to be exposed to custodial credit risk. The Town's investments are not deemed to be exposed to custodial credit risk because they are held by the Town or by the Town's custody agent in the Town's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Town also places money in public entity cash investment pools authorized by Colorado statutes. On December 31, 2016 the Town had \$2,350,227 and \$1,778,079, respectively, invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and C-SAFE, investment vehicles established for local government entities in Colorado to pool surplus funds. COLOTRUST and C-SAFE consist of U.S. Treasury notes, U.S. Government Agency Securities, repurchase agreements collateralized by U.S. Treasury securities, and Commercial Paper. Designated custodial banks provide safekeeping and depository services to COLOTRUST and C-SAFE in connection with the direct investment and withdrawal functions of COLOTRUST and C-SAFE. Substantially all securities owned by COLOTRUST and C-SAFE are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian's internal records identify the investments owned by COLOTRUST and C-SAFE.

The State of Colorado's Division of Securities is responsible for regulatory oversight for these pools. These pools are not required to and are not registered with the SEC. COLOTRUST funds carry a Standard & Poors AAAM rating. C-SAFE is also rated AAAM by Standard and Poors.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. 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. COLOTRUST and C-SAFE each operate like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by C-SAFE are valued at amortized cost which approximates fair value.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE C – CASH AND INVESTMENTS – CONTINUED**

The underlying investments held by COLOTRUST are valued at fair market value.

At December 31, 2016 the Town's investments consisted of the following:

COLOTRUST	\$2,350,227
C-SAFE	<u>1,778,079</u>
Total investments	<u>\$4,128,306</u>

Reconciliation of cash and investments to statement of net position:

Cash and cash equivalents	\$1,031,984
Investments	<u>4,128,306</u>
Total cash and investments	<u>\$5,160,290</u>

**NOTE D – CAPITAL ASSETS**

The following is a summary of activity in the capital assets for the year ended December 31, 2016:

*Governmental activities:*

	<u>Beginning 01/01/16</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance 12/31/16</u>
Capital assets not being depreciated				
Land	<u>\$ 464,787</u>	<u>\$ 1,534,177</u>	<u>\$ -</u>	<u>\$ 1,998,964</u>
Total capital assets not being depreciated	<u>464,787</u>	<u>1,534,177</u>	<u>-</u>	<u>1,998,964</u>
Capital assets being depreciated				
Infrastructure	3,693,656	-	-	3,693,656
Swimming pool	517,939	-	-	517,939
Community Center	649,645	-	-	649,645
Buildings and improvements	8,917,438	-	-	8,917,438
Equipment and furniture	<u>1,536,270</u>	<u>13,000</u>	<u>-</u>	<u>1,549,270</u>
Total capital assets being depreciated	15,314,948	13,000	-	15,327,948
Less accumulated depreciation				
Infrastructure	828,823	133,361	-	962,184
Swimming pool	422,477	12,645	-	435,122
Community Center	551,342	21,655	-	572,997
Buildings and improvements	1,087,539	3,874,073	-	4,961,612
Equipment and furniture	<u>1,215,708</u>	<u>52,127</u>	<u>-</u>	<u>1,267,835</u>
Total accumulated depreciation	<u>4,105,889</u>	<u>4,093,861</u>	<u>-</u>	<u>8,199,750</u>
Total capital assets being depreciated, net	<u>11,209,059</u>	<u>(4,080,861)</u>	<u>-</u>	<u>7,128,198</u>
Governmental activities capital assets, net	<u>\$ 11,673,846</u>	<u>\$ (2,546,684)</u>	<u>\$ -</u>	<u>\$ 9,127,162</u>

An impairment loss of \$3,603,033 was recorded during 2016 to adjust a building and land previously used as a high school to estimated fair market value. The loss is included in depreciation expense and is shown in general government expenses on the statement of activities.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE D – CAPITAL ASSETS – CONTINUED**

<i>Business-type activities:</i>	<u>Beginning 01/01/16</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance 12/31/16</u>
Capital assets not being depreciated				
Land	\$ 226,126	\$ -	\$ -	\$ 226,126
Water rights	128,138	34,314	-	162,452
Construction in progress	<u>-</u>	<u>25,059</u>	<u>-</u>	<u>25,059</u>
Total capital assets not being depreciated	354,264	59,373	-	413,637
Capital assets being depreciated				
Water system	16,486,868	164,509	-	16,651,377
Utility system	4,420,121	197,715	-	4,617,836
Equipment and furniture – Utility	314,992	12,471	-	327,463
Equipment and furniture – Water	<u>342,485</u>	<u>12,471</u>	<u>-</u>	<u>354,956</u>
Total capital assets being depreciated	21,564,466	387,166	-	21,951,632
Less accumulated depreciation				
Water system	6,176,024	307,282	-	6,483,306
Utility system	2,065,895	145,016	-	2,210,911
Equipment and furniture – Utility	288,576	5,272	-	293,848
Equipment and furniture – Water	<u>291,046</u>	<u>11,348</u>	<u>-</u>	<u>302,394</u>
Total accumulated depreciation	<u>8,821,541</u>	<u>468,918</u>	<u>-</u>	<u>9,290,459</u>
Total capital assets being depreciated, net	<u>12,742,925</u>	<u>(81,752)</u>	<u>-</u>	<u>12,661,173</u>
Business-type activities capital assets, net	<u>\$ 13,097,189</u>	<u>\$ (22,379)</u>	<u>\$ -</u>	<u>\$ 13,074,810</u>

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

<i>Governmental activities:</i>	
General government	\$ 3,834,485
Public safety	76,388
Public works and parks	5,455
Recreation and culture	84,548
Cemetery	1,515
Infrastructure	<u>91,470</u>
Total depreciation expense-governmental activities	<u>\$ 4,093,861</u>



Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE D – CAPITAL ASSETS – CONTINUED**

*Business-type activities:*

Water utility	\$ 318,629
Sewer utility	<u>150,289</u>
Total depreciation expense-business-type activities	<u>\$ 468,918</u>

**NOTE E – LONG-TERM DEBT**

In 2006, the Town borrowed \$2,000,000 from the Colorado Water Resources and Power Development Authority Revolving Loan Fund as part of its disadvantaged Communities Program. The Note is interest free and requires annual payments of \$66,667 through 2036. The Town pledged Water revenues as collateral on this debt.

The following is a summary of note principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 66,667	\$ –	\$ 66,667
2018	66,667	–	66,667
2019	66,667	–	66,667
2020	66,667	–	66,667
2021	66,666	–	66,666
2022-2026	333,333	–	333,333
2027-2031	333,333	–	333,333
2031-2036	<u>333,333</u>	–	<u>333,333</u>
Total	<u>\$ 1,333,333</u>	<u>\$ –</u>	<u>\$ 1,333,333</u>

In 2006, the Town borrowed \$3,976,045 from the Colorado Water Resources and Power Development Authority Revolving Loan Fund. The note has an interest rate of 3.47% with annual payments due through 2028. The Town pledged Water revenues as collateral on this debt.

The following is a summary of note principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 142,786	\$ 67,350	\$ 210,136
2018	148,278	64,362	212,640
2019	148,278	61,259	209,537
2020	153,770	57,987	211,757
2021	197,704	54,489	252,193
2022-2026	1,334,501	179,011	1,513,512
2027-2028	<u>637,046</u>	<u>23,393</u>	<u>660,439</u>
Total	<u>\$ 2,762,363</u>	<u>\$ 507,851</u>	<u>\$ 3,270,214</u>

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE E – LONG-TERM DEBT – CONTINUED**

In 2012, the Town issued \$995,000 in water revenue bonds with interest rates ranging between 2.63% and 3.0%. The bonds are special revenue obligations of the Town, payable out of the net pledged water revenues derived from the Town’s Water Activity Enterprise. The bonds constitute an irrevocable, non-exclusive first lien on the net pledged water revenues.

The following is a summary of revenue bonds principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ –	\$ 29,006	\$ 29,006
2018	50,000	29,006	79,006
2019	50,000	27,506	77,506
2020	50,000	26,006	76,006
2021	60,000	24,506	84,506
2022-2026	250,000	95,381	345,381
2027-2030	<u>535,000</u>	<u>53,250</u>	<u>588,250</u>
Total	<u>\$ 995,000</u>	<u>\$ 284,661</u>	<u>\$ 1,279,661</u>

Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	<u>Beginning 01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>
<i>Governmental Activities:</i>				
Lease payable	<u>\$ 31,686</u>	<u>\$ –</u>	<u>\$ (10,308)</u>	<u>\$ 21,378</u>
<i>Business-type Activities</i>				
Notes payable	\$ 4,299,657	\$ –	\$ (203,961)	\$ 4,095,696
Bonds payable	995,000	–	–	995,000
Notes premium	<u>32,000</u>	<u>–</u>	<u>(2,462)</u>	<u>29,538</u>
Total Business-type Activities	<u>\$ 5,326,657</u>	<u>\$ –</u>	<u>\$ (206,423)</u>	<u>\$ 5,120,234</u>

**NOTE F – LEASES AND COMMITMENTS**

The Town leased a police vehicle in 2015. For financial reporting purposes, minimum lease rentals relating to the vehicle have been capitalized. The 2015 lease has an interest rate of 5.097% and requires monthly payments of \$980 through November 2, 2018. At the end of the lease term, ownership of the police vehicle will transfer to the Town.

The following is a schedule of leased property under capital leases:

	<u>2016</u>
Equipment and furniture	\$ 29,334

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE F – LEASES AND COMMITMENTS – CONTINUED**

Future minimum lease payments under the capital leases for the years following December 31, 2016 together with the present value of the net minimum lease payments are as follows:

<u>Year</u>	<u>Total Leases</u>
2017	\$ 11,766
2018	10,785
Total minimum lease payments	22,551
Less amount representing interest	(1,173)
Present value of minimum lease payments	<u>\$ 21,378</u>

The Town entered a 10-year operating lease for solar panels for the water treatment facility. The lease requires monthly payments of \$1,812 beginning in June of 2013. The monthly payments are offset by solar credits the Town receives for using the solar panels. Total lease expense under this lease during 2016 was \$23,116, which was offset by \$12,059 in solar credits.

Future minimum lease payments under the operating lease for the years following December 31, 2016, without regard to future solar credits, are as follows:

<u>Year</u>	
2017	\$ 21,744
2018	21,744
2019	21,744
2020	21,744
2021	21,744
2022-2023	30,656
Total	<u>\$ 139,376</u>

On January 14, 2015, the town entered into a 4-year operating lease for a copier. The lease requires monthly payments of \$496 beginning in February of 2015.

Future minimum lease payments under the operating lease for the years following December 31, 2016 are as follows:

<u>Year</u>	
2017	\$ 5,952
2018	5,952
2019	496
Total	<u>\$ 12,400</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION**

**General Information about the Pension Plan**

*Plan Description.* The Town contributes to the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Association. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by the Colorado Fire and Police Pension Association. This is a non-contributory plan. All full-time, paid police officers/firefighters of the Town are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provision to the state legislature. 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. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

*Benefits Provided.* A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

*Contributions.* The SWDB sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent in 2015. In 2014, the members elected to increase the member contribution rate to the SWDB beginning in 2015.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED**

Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the SWDB. Employer contributions recognized by the SWDB from the Town were \$43,997 for the year ended December 31, 2016.

**Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At December 31, 2016, the Town reported an asset of \$(1,990), for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2015, and the collective total pension liability used to calculate the net pension liability/(asset) is based upon an actuarial valuation as of January 1, 2016. The collective total pension liability as of December 31, 2014 is based upon an actuarial valuation as of January 1, 2015. The Town proportion of the net pension liability/(asset) was based on the Town's contributions to the SWDB for the calendar year 2015 relative to the total contributions of participating employers to the SWDB.

At December 31, 2015, the Town's proportion was .11287%, which was an increase of .00288 from its proportion measured as of December 31, 2014.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED**

For the year ended December 31, 2016, the Town recognized pension expense of \$30,353. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,093	\$ 2,349
Net difference between projected and actual earnings on pension plan investments	101,270	–
Changes of assumptions	31,254	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,659	4,982
Contributions subsequent to the measurement date	43,997	–
Total	<u>\$ 197,273</u>	<u>\$ 7,331</u>

\$43,997 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability 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:

Year ended December 31:	
2017	30,816
2018	30,816
2019	30,816
2020	28,305
2021	4,871
Thereafter	20,321

*Actuarial Assumptions.* The January 1, 2015 actuarial valuation was used to determine the Actuarially Determined Contribution for the fiscal year ending December 31, 2015. The January 1, 2016 actuarial valuation was used to determine the Total Pension Liability for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return, including inflation (2.5%-3.0%)	7.50 percent
Projected Salary Increases	4.0% - 14%
Cost of Living Adjustments (COLA)	0.0%

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED**

For determining the total pension liability, the RP-2014 Mortality Tables 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 Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. 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 through 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 & 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 reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their 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 impacted 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 by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2015 are summarized in the following table:

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Total	100.00%	

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 Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB 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.

*Discount Rate.* Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the Town's proportionate share of the SWDB net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's proportionate share of the net pension liability/(asset)	\$278,738	\$(1,990)	\$(234,844)



NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED**

*Pension Plan Fiduciary Net Position.* Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at [http://www.fppaco.org/toc\\_frames.html](http://www.fppaco.org/toc_frames.html).

**NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION**

**General Information about the Pension Plan**

*Plan Description.* The Town contributes to the Palisade Volunteer Fire Department Pension Fund (PVFDP), an agent multiple-employer Public Employee Retirement System (PERS) administered by the Fire & Police Pension Association (FPPA). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>. For the measurement period ending December 31, 2015, the PVFDP included membership of 13 retirees and beneficiaries, 4 inactive, non-retired members, and 32 active members for a total of 49 members.

*Benefits Provided.*

Normal Retirement

A member is eligible for a normal retirement pension once the member has completed twenty years of credited service and has attained the age of 50. The monthly regular retirement benefit is \$300. A supplemental monthly pension payment to a volunteer who has attained the age of 50 years and who has been in active service in excess of 20 years can receive an extended service amount up to 5% of the monthly pension amount per additional year of service. The amount cannot exceed a maximum of ten additional years.

Vested Retirement

A member with 10 or more but less than 20 years of service is eligible to receive a benefit of \$15 per month times the number of vesting years.

Disability Retirement Benefit

A member is eligible for short and long term disability for injuries in the line of duty. Short term payments of \$150 per month last for a maximum of one year. Long term disability is a lifetime amount after one year of service of \$300 per month.

Survivor Benefits

Survivor benefits are available at one-half of the amount of the normal retirement pension, or \$150 per month. This amount is available to a survivor following death after normal retirement, following death in the line of duty as a volunteer firefighter before retirement eligible, and following death after disability retirement. An additional amount of \$7.50 per month is available following death after normal retirement with extended service amount per year of service and following death after vested retirement with 10 to 20 years of service per year of service. Survivors may include spouse, child under 18 years of age, or dependent parent. This annuity shall cease if the surviving spouse or dependent parent remarries and dissolution of a subsequent marriage does not reinstate the annuity.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**

Whenever the pension board increases the retirement pension payable to volunteer firefighters, that increase will also be applied to the pension benefits of survivors of firefighters killed in the line of duty.

Funeral Benefits

A one-time funeral benefit is paid of \$100 in the event of a death of a member.

*Contributions.* The Town contributes from proceeds of a property tax mill levy. The Plan is construed and enforced in accordance with Colorado Revised Statute Title 31, Article 30. Per CRS 31-30-1112, State contributions to any municipality or district must equal ninety percent of all amounts contributed by the municipality or district under section 31-30-1110 in the previous year, but, notwithstanding any other provision of this part 11, the state contribution shall not exceed one-half mill on the previous net valuation for assessment of the municipality or district assuming one hundred percent collection. For 2016 the Town contributed \$30,597 and the state’s matching contribution was \$18,577.

**Pension Liabilities/(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 \$(505,443). 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 January 1, 2015. The total pension liability as of December 31, 2014 is based upon the January 1, 2015 actuarial valuation also.

For the year ended December 31, 2016, the Town recognized pension expense of \$(7,171). At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 24,498	\$ –
Net difference between projected and actual earnings on pension plan investments	45,116	–
Contributions subsequent to the measurement date	30,597	–
<b>Total</b>	<u>\$ 100,211</u>	<u>\$ –</u>

\$30,597 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability 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:

Year ended December 31:	
2017	18,123
2018	18,123
2019	18,123
2020	15,245

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**

*Actuarial Assumptions.* 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, 2013 determines the contribution amounts for 2014 and 2015. The actuarial valuation as of January 1, 2015 determines the contribution amounts for 2016 and 2017. The valuation used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	20 Years*
Asset Valuation Method	5-Year Smoothed fair value
Inflation	3.0%
Investment Rate of Return	7.5%
Projected Salary Increases	N/A
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.*

Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 volunteer valuations. The primary changes, which can be observed in the January 1 2017 valuation, as compared to the assumptions shown are as follows:

Pre-retirement	RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience.
Post-retirement	For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.
Disabled	RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**

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 by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Total	100.00%	

*Discount Rate.* Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the PVFDP's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the PVFDP's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability/(asset)	\$(452,370)	\$(505,443)	\$(548,638)

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**

**Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios Current Period – Measurement Period Ended December 31, 2015**

<b>A. Total pension liability</b>	
1. Service Cost	\$ 16,840
2. Interest on the Total Pension Liability	29,791
3. Benefit payments	<u>(59,257)</u>
4. Net change in total pension liability	(12,626)
5. Total pension liability – beginning	<u>418,045</u>
6. Total pension liability – ending	<u>\$ 405,419</u>
<b>B. Plan fiduciary net position</b>	
1. Contributions – employer	\$ 10,465
2. Net investment income	16,931
3. Benefit payments	(59,257)
4. Pension plan administrative expense	(3,743)
5. State of Colorado supplemental discretionary payment	<u>17,460</u>
6. Net change in plan fiduciary net position	(18,144)
7. Plan fiduciary net position – beginning (Market value of assets at beginning of year)	<u>929,006</u>
8. Plan fiduciary net position – ending (Market value of assets at end of year)	<u>\$ 910,862</u>
<b>C. Net pension liability/(asset)</b>	<u>\$(505,443)</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	225%
<b>E. Covered employee payroll</b>	N/A
<b>F. Net pension liability/(asset) as a percentage of covered employee payroll</b>	N/A

**NOTE I – DEFINED CONTRIBUTION PLAN**

The Town participates in a defined contribution plan administered by the International City Manager's Association Retirement Corporation (ICMA Retirement.) Plan provisions are established or amended by Town Council resolution. The Town and participants are required to contribute 5% each of annual covered payroll. For the year ended December 31, 2016, actual contributions by the Town and plan participants were \$24,022 each.

ICMA Retirement includes all full time employees after one year of service, except police and fire employees. Participants vest at 20% per year and are entitled to 100 percent of vested contributions. The plan is a money purchase plan qualified under section 401(a) of the Internal Revenue Code.

**NOTE J – CUSTOMER ACCOUNTS RECEIVABLE**

The total accounts receivable for rescue fees at December 31, 2016 was \$198,777 with an allowance for doubtful accounts of \$42,286 for a net of \$156,491. The allowance is estimated based on the past collection rate of the rescue fee revenue.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE K – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town pays an annual premium to CIRSA Property/Casualty and Workers' Compensation for its general and workmen's' compensation insurance coverage.

The agreement with CIRSA members provides that CIRSA will be self-sustaining through member premiums. CIRSA rate-setting policies are established by the Board of Directors, in consultation with independent actuaries. The Board of Directors may credit member municipalities' future contributions in the event of a surplus. Although it has never occurred, CIRSA member municipalities are subject to a supplemental assessment in the event of a deficiency.

**NOTE L – TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. 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 amendments language in order to determine its compliance. The amendment also requires 3% emergency reserve to be set up on all Town expenditures covered by the amendment. The Town has set this required emergency reserve for all amendment expenditures in the General Fund Balance under Emergency Reserve.

**REQUIRED**

**SUPPLEMENTARY INFORMATION**

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes - property	\$ 366,292	\$ 366,292	\$ 365,756	\$ (536)
Taxes - other	1,931,000	1,835,907	1,841,405	5,498
Cemetery revenue	32,500	50,500	54,875	4,375
Swimming pool	35,000	40,000	41,332	1,332
Community Center	191,500	276,500	239,218	(37,282)
Licenses and permits	20,350	20,350	23,006	2,656
Intergovernmental	116,450	122,950	105,641	(17,309)
Fines and forfeitures	26,000	36,000	17,119	(18,881)
Charges for services	240,550	289,699	241,376	(48,323)
Interest income	2,000	5,000	5,408	408
Miscellaneous	137,300	144,500	157,010	12,510
Total revenues	<u>3,098,942</u>	<u>3,187,698</u>	<u>3,092,146</u>	<u>(95,552)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	969,515	1,030,905	954,249	76,656
Public safety	1,216,262	1,271,262	1,242,403	28,859
Public works and parks	475,786	490,786	507,944	(17,158)
Culture and recreation	404,085	404,085	393,863	10,222
Cemetery	40,999	40,999	39,358	1,641
<b>Capital outlay:</b>				
General government	26,500	26,500	9,643	16,857
Public safety	25,000	25,000	5,188	19,812
Public works and parks	19,000	19,000	16,568	2,432
Culture and recreation	24,200	24,200	13,838	10,362
<b>Debt service:</b>				
Principal and interest	11,766	11,766	11,766	-
Total expenditures	<u>3,213,113</u>	<u>3,344,503</u>	<u>3,194,820</u>	<u>149,683</u>
Excess (deficiency) of revenues over expenditures	(114,171)	(156,805)	(102,674)	54,131
<b>Other financing sources (uses)</b>				
Transfers in	122,400	122,400	134,500	12,100
Net change in fund balance	8,229	(34,405)	31,826	66,231
Fund balance, January 1	-	34,405	1,897,084	1,862,679
Fund balance, December 31	<u>\$ 8,229</u>	<u>\$ -</u>	<u>\$ 1,928,910</u>	<u>\$ 1,928,910</u>



Town of Palisade, Colorado

SCHEDULE OF NET PENSION LIABILITY/(ASSET) - FPPA  
STATEWIDE DEFINED BENEFIT PLAN

December 31, 2016

	Employer proportion of NPA	Employer proportionate share of NPA	Employer covered payroll	Employer proportionate share of NPA as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2015	0.11287%	\$ (1,990)	\$ 521,562	0%	100%
December 31, 2014	0.10999%	(124,129)	494,615	25%	107%

Town of Palisade, Colorado

SCHEDULE OF PENSION CONTRIBUTIONS -  
FPPA STATEWIDE DEFINED BENEFIT PLAN

December 31, 2016

	<u>Required employer contribution</u>	<u>Employer contributions recognized by the plan</u>	<u>Difference</u>	<u>Employer covered payroll</u>	<u>Contributions as a percentage of employer covered payroll</u>
December 31, 2016	\$ 43,997	\$ 43,997	\$ -	\$ 549,963	8%
December 31, 2015	41,725	41,725	-	521,562	8%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - FPPA STATEWIDE DEFINED  
BENEFIT PLAN

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Town of Palisade, Colorado

SCHEDULE OF NET PENSION LIABILITY/(ASSET) - VOLUNTEER  
FIRE DEPARTMENT PENSION FUND

December 31, 2016

	Total pension liability	Plan fiduciary net position	Net pension liability/(asset)	Plans fiduciary net position as a percentage of the total pension liability	Covered-employee payroll	Net pension liability as a percentage of covered-employee payroll
<u>Measurement date:</u>						
December 31, 2015	\$ 405,419	\$ 910,862	\$ (505,443)	225%	N/A	N/A
December 31, 2014	418,045	929,006	(510,961)	222%	N/A	N/A

Town of Palisade, Colorado

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) -  
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2016

Measurement period ending December 31,	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 16,840	\$ 4,715
Interest on the total pension liability	29,791	7,906
Benefit changes	-	284,549
Difference between expected and actual experience	-	37,526
Benefit payments	(59,257)	(38,794)
Net change in total pension liability	(12,626)	295,902
Total pension liability - beginning	418,045	122,143
Total pension liability - ending	<u>\$ 405,419</u>	<u>\$ 418,045</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 10,465	\$ 19,399
Pension plan net investment income	16,931	58,804
Benefit payments	(59,257)	(38,794)
Pension plan administrative expense	(3,743)	(1,739)
State of Colorado supplemental discretionary payment	17,460	17,754
Net change in plan fiduciary net position	(18,144)	55,424
Plan fiduciary net position - beginning	929,006	873,582
Plan fiduciary net position - ending	<u>\$ 910,862</u>	<u>\$ 929,006</u>
<b>Net Pension Liability/(Asset) - Ending</b>	<u>\$ (505,443)</u>	<u>\$ (510,961)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	225%	222%
<b>Covered Employee Payroll</b>	N/A	N/A
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A

Town of Palisade, Colorado

SCHEDULE OF PENSION CONTRIBUTIONS -  
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2016

	Actuarially determined contribution	Employer contributions recognized by the plan	Contribution Deficiency (Excess)	Employer covered payroll	Contributions as a percentage of employer covered payroll
December 31, 2016	\$ -	\$ 30,597	\$ (30,597)	N/A	N/A
December 31, 2015	-	20,641	(20,641)	N/A	N/A

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VOLUNTEER FIRE DEPARTMENT  
PENSION FUND

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Note 2: Significant Methods and Assumptions Used in Actuarially Determined Calculations

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, 2013 determines the contribution amounts for 2014 and 2015. 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 fair value
Inflation	3.00%
Investment Rate of Return	7.50%
Projected Salary Increases	N/A
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.*

**SUPPLEMENTARY INFORMATION**

Town of Palisade, Colorado

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2016

	Tourism Fund	Conservation Trust Fund	Palisade Rural Fire Protection District	Total
<b>Assets</b>				
Cash and investments	\$ 20,483	\$ 71,691	\$ 5,685	\$ 97,859
Property tax receivable	-	-	124,257	124,257
Lodging and other tax receivable	1,000	-	1,333	2,333
Grant receivable	-	-	49,951	49,951
Total assets	<u>21,483</u>	<u>71,691</u>	<u>181,226</u>	<u>274,400</u>
<b>Liabilities</b>				
Accounts payable	7,533	4,000	815	12,348
Due to other funds	-	-	-	-
Total liabilities	<u>7,533</u>	<u>4,000</u>	<u>815</u>	<u>12,348</u>
<b>Deferred inflows of resources</b>				
Property taxes	-	-	124,257	124,257
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>124,257</u>	<u>124,257</u>
Total liabilities and deferred inflows of resources	<u>7,533</u>	<u>4,000</u>	<u>125,072</u>	<u>136,605</u>
<b>Fund balances</b>				
Restricted for park improvements	-	67,691	-	67,691
Assigned for marketing	13,950	-	-	13,950
Assigned for public safety	-	-	56,154	56,154
Total fund balances	<u>\$ 13,950</u>	<u>\$ 67,691</u>	<u>\$ 56,154</u>	<u>\$ 137,795</u>

Town of Palisade, Colorado

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2016

	Tourism Fund	Conservation Trust Fund	Palisade Rural Fire Protection District	Total
<b>Revenues</b>				
Taxes and special assessments	\$ 31,042	\$ -	\$ 144,364	\$ 175,406
Intergovernmental	-	28,989	84,951	113,940
Interest income	-	-	493	493
Miscellaneous	-	-	750	750
Total revenues	31,042	28,989	230,558	290,589
<b>Expenditures</b>				
<b>Current:</b>				
General government	26,091	-	-	26,091
Public safety	-	-	17,926	17,926
<b>Capital outlay:</b>				
Park improvements	-	16,156	-	16,156
Public safety	-	-	84,951	84,951
Total expenditures	26,091	16,156	102,877	145,124
Excess of revenues over (under) expenditures	4,951	12,833	127,681	145,465
<b>Other financing sources (uses)</b>				
Transfers out	-	-	(134,500)	(134,500)
Net change in fund balance	4,951	12,833	(6,819)	10,965
Fund balance, January 1	8,999	54,858	62,973	126,830
Fund balance, December 31	\$ 13,950	\$ 67,691	\$ 56,154	\$ 137,795



Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND

Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental	\$ 3,000,000	\$ 3,000,000	\$ 1,319,515	\$ (1,680,485)
<b>Total revenues</b>	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,319,515</u>	<u>(1,680,485)</u>
<b>Expenditures</b>				
<b>Current:</b>				
Culture and recreation	-	-	6,907	(6,907)
<b>Capital outlay:</b>				
Culture and recreation	3,000,000	3,000,000	1,313,237	1,686,763
<b>Total expenditures</b>	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,320,144</u>	<u>1,679,856</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	-	-	(629)	(629)
<b>Fund balance, January 1</b>	-	-	-	-
<b>Fund balance, December 31</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (629)</u>	<u>\$ (629)</u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - TOURISM SPECIAL REVENUE FUND

Year ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Lodging taxes	\$ 28,500	\$ 31,042	\$ 2,542
Expenditures			
Marketing	31,000	26,091	4,909
Excess (deficiency) of revenues over (under) expenditures	(2,500)	4,951	7,451
Fund balance, January 1	2,500	8,999	6,499
Fund balance, December 31	<u>\$ -</u>	<u>\$ 13,950</u>	<u>\$ 13,950</u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CONSERVATION TRUST FUND

Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Lottery funds	\$ 27,000	\$ 27,000	\$ 28,989	\$ 1,989
Total revenues	27,000	27,000	28,989	1,989
<b>Expenditures</b>				
Park improvements	10,000	18,000	16,156	1,844
Total expenditures	10,000	18,000	16,156	1,844
Excess (deficiency) of revenues over expenditures	17,000	9,000	12,833	3,833
Fund balance, January 1	-	-	54,858	54,858
Fund balance, Decembert 31	\$ 17,000	\$ 9,000	\$ 67,691	\$ 58,691

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - PALISADE RURAL FIRE PROTECTION DISTRICT

Year ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes - property	\$ 128,081	\$ 127,998	\$ (83)
Taxes - other	14,000	16,366	2,366
Interest income	125	493	368
Grant revenue	59,200	84,951	25,751
Miscellaneous income	750	750	-
Total revenues	<u>202,156</u>	<u>230,558</u>	<u>28,402</u>
<b>Expenditures</b>			
Public safety	32,772	17,926	14,846
Capital outlay	-	84,951	(84,951)
Contingency	49,000	-	49,000
Total expenditures	<u>81,772</u>	<u>102,877</u>	<u>(21,105)</u>
Excess (deficiency) of revenues over expenditures	120,384	127,681	7,297
<b>Other financing sources (uses)</b>			
Transfers out	<u>(174,000)</u>	<u>(134,500)</u>	<u>39,500</u>
Net change in fund balance	(53,616)	(6,819)	46,797
Fund balance, January 1	<u>49,000</u>	<u>62,973</u>	<u>13,973</u>
Fund balance, December 31	<u>\$ (4,616)</u>	<u>\$ 56,154</u>	<u>\$ 60,770</u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - WATER FUND

Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Charges for service	\$ 1,000,000	\$ 1,014,300	\$ 1,002,779	\$ (11,521)
Tap fees	12,000	12,000	26,605	14,605
Interest income, penalties, and miscellaneous	1,100	1,100	6,104	5,004
Total revenues	<u>1,013,100</u>	<u>1,027,400</u>	<u>1,035,488</u>	<u>8,088</u>
<b>Expenses</b>				
Operating expenses	604,557	648,220	563,851	84,369
Debt service payments	361,249	361,249	332,069	29,180
Capital outlay	131,000	131,000	241,095	(110,095)
Total expenditures	<u>1,096,806</u>	<u>1,140,469</u>	<u>1,137,015</u>	<u>3,454</u>
Excess (deficit) of revenues over expenditures	<u>\$ (83,706)</u>	<u>\$ (113,069)</u>	(101,527)	<u>\$ 11,542</u>
<b>Reconciliation of change in net position</b>				
<b>Adjustments to GAAP basis:</b>				
Depreciation			(318,629)	
Capitalized capital outlay			211,294	
Debt service principal payments			<u>203,961</u>	
Change in net position			<u>\$ (4,901)</u>	

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
 BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - UTILITY FUND

Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Charges for service	\$ 682,400	\$ 682,400	\$ 694,428	\$ 12,028
Tap fees	-	-	5,500	5,500
Grant revenue	-	-	47,000	47,000
Interest income and miscellaneous	2,500	2,500	12,353	9,853
Total revenues	<u>684,900</u>	<u>684,900</u>	<u>759,281</u>	<u>74,381</u>
<b>Expenses</b>				
Operating expenses	405,344	406,344	369,114	37,230
Capital outlay	700,000	700,000	374,405	325,595
Total expenditures	<u>1,105,344</u>	<u>1,106,344</u>	<u>743,519</u>	<u>362,825</u>
Excess (deficit) of revenues over expenditures	<u>\$ (420,444)</u>	<u>\$ (421,444)</u>	15,762	<u>\$ 437,206</u>
<b>Reconciliation of change in net position</b>				
<b>Adjustments to GAAP basis:</b>				
Capitalized capital outlay			235,244	
Depreciation			<u>(150,289)</u>	
Change in net position			<u>\$ 100,717</u>	

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Town of Palisade
This Information From The Records Of (example - City of _ or County of Town of Palisade)	Prepared By: Joseph Vlach Phone: 970-464-5602
YEAR ENDING : December 2016	

**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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	168,488
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	186,296	b. Snow and ice removal	
3. Other local imposts (from page 2)	50,873	c. Other	
4. Miscellaneous local receipts (from page 2)	15,059	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	80,332
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	179,556
a. Bonds - Original Issues		6. Total (1 through 5)	428,376
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	252,228	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	176,148	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	428,376	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	428,376

**IV. LOCAL HIGHWAY DEBT STATUS**  
(Show all entries at par)

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

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		428,376	428,376		0

Notes and Comments:



**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2016

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	15,059
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	50,873	g. Other Misc. Receipts	
6. Total (1. through 5.)	50,873	h. Other	
c. Total (a. + b.)	50,873	i. Total (a. through h.)	15,059
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	70,306	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	5,842	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)	100,000	f. Other Federal	
f. Total (a. through e.)	105,842	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	176,148	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)
<b>A.1. Capital outlay:</b>			
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			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

**Notes and Comments:**

C (3) (e) Mesa County Street Contribution \$100,000

Town of Palisade

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>2016 Amount of Award Expended</u>
UNITED STATES DEPARTMENT OF THE INTERIOR Passed through Colorado Department of Local Affairs: Distribution of Receipts to State and Local Governments	15.227	<u>\$ 1,319,515</u>
Total Expenditures of Federal Awards		<u>\$ 1,319,515</u>

The accompanying notes are an integral part of this schedule.

Town of Palisade

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

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**NOTE A – GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Town of Palisade. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The Town did not elect to use the 10% de minimus indirect cost rate.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 6, 2017

Board of Trustees  
Town of Palisade  
Palisade, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Palisade as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 6, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Board of Trustees  
Town of Palisade  
Palisade, Colorado  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chadwick, Steinkirchner, Davis & Co., P.C.*



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 6, 2017

Board of Trustees  
Town of Palisade  
Palisade, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Palisade's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2016. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Palisade complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.



Board of Trustees  
Town of Palisade  
Palisade, Colorado  
Page Two

### **Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

Town of Palisade

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified Opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> _____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> _____	none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <input checked="" type="checkbox"/> _____	no

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> _____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> _____	none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified Opinion</u>
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Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ yes	_____ <input checked="" type="checkbox"/> _____	no
--	-----------	---	----

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>15.227</u>	<u>Distribution of Receipts to State and Local Governments</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	_____ yes	_____ <input checked="" type="checkbox"/> _____	no
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Town of Palisade

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year ended December 31, 2016

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SECTION II – FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

There are no findings under Generally Accepted Government Auditing Standards.

SECTION III – FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There are no findings or questioned costs for Federal awards as defined in the Uniform Guidance.

Town of Palisade

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2016

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A single audit was not required in the prior year.