

Town of Larkspur, Colorado

**Financial Statements and Report
of
Independent Certified Public Accountants**

December 31, 2017

Table of Contents

	Page
Independent Auditor's Report	I
Management's Discussion and Analysis	III-XV
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet—Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position—Proprietary Fund	7
Statement of Revenues, Expenditures and Changes in Fund Net Position—Proprietary Fund	8
Statement of Cash Flow—Proprietary Fund	9
Notes to Financial Statements	10
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances —Budget and Actual—General Fund	30
Schedule of Revenues, Expenditures and Changes in Fund Balances —Budget and Actual—Road and Bridge Fund	31
Schedule of Revenues, Expenditures and Changes in Fund Balances —Budget and Actual—Conservation Trust Fund	32
Notes to Budgetary Comparison Schedules	33
Other Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances —Budget and Actual—Water and Sewer Fund – Budgetary Basis	34
Local Highway Finance Report	35



Certified Public Accountants (a professional corporation)
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

Honorable Mayor
and Members of the Town Council
Town of Larkspur, 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 Larkspur, Colorado, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Town of Larkspur, Colorado'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 of material misstatement.

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

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



An independently owned member
RSM US Alliance



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 Larkspur, Colorado, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in 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 and budgetary comparison information, as listed in the table of contents, 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 Larkspur, Colorado's basic financial statements. The budgetary comparison schedule for the water and sewer fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.



Littleton, Colorado
September 24, 2018

Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Introduction

The management of the Town of Larkspur (Town) offers readers of the Town's financial statements this narrative analysis of the Town's financial activities, for the year ended December 31, 2017. Please read this Management's Discussion and Analysis (MD&A) in conjunction with the Town's 2017 audited financial statements and notes to the financial statements.

Financial Highlights

- Total assets exceeded liabilities by \$5,510,000
- Total Net Position increased by \$1,051,000
- Total cash increased by \$2,119,000, due mainly to an inflow of cash from loan proceeds for the Water Treatment Plant construction.
- Governmental activities revenue decreased by \$19,100, due mainly to a decrease in Sales Tax, Admission Tax and Use Tax revenues
- Governmental activities expenditures increased by \$61,200, due mainly to Town Hall building maintenance, wages, sheriff services , tax sharing rebate for new development and town dump expenditures.
- Business-Type (Water & Sewer Fund) Operating Revenue decreased by \$34,000 , due mainly to a revenue refund for a faulty water meter and moving Sewer Tap fees to Capital Contributions. Tap Fees were included in Operating Revenue in 2016. Business-Type expenses increased by \$113,300, mainly due to increased contract services for maintenance & monitoring, interest expense, sludge removal expense accrual and closing costs on the new loan.
The Business-Type Operating Loss increased by \$36,800, due to the decreased revenue & increased expenditures describe above.Unassigned Fund Balance for the General Fund was \$1,166,000 or 86% of total General Fund expenditures
- Total Debt increased by \$2,875,000 due to the loan for the Water Treatment Plant construction.

Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the basic financial statements, which consist of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to financial statements

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government financial statements include information presented in different ways designed to meet multiple objectives of different users. This overview is intended to help readers of the financial statements understand how information is presented.

Financial reporting objectives for governments are much broader than those for business organizations. The primary users of governmental financial statements include taxpayers and citizens; oversight and legislative bodies; investors and creditors in addition to management.

Government financial statements include expanded information to meet a variety of financial reporting objectives and include different types of financial statements to meet these objectives.

The activities of government can broadly be grouped into two categories, each of which uses a different measurement focus and basis of accounting.

- **Governmental Funds.** Many of the services provided by government are not based on a fee to specific users, such as police services, recreation facilities or road maintenance. These types of activities are referred to as governmental activities. Accounting for these types of activities requires a different measurement focus and basis of accounting than fee-based services.
- **Proprietary Funds.** Some services of government are provided based on a fee to users that should cover the cost of providing the service. A common example is water and sewer services. These are referred to as business-type activities. Accounting for this category of activities is very similar to a business organization.

The MD&A serves as an introduction to the basic financial statements, which encompass four components:

- 1) Government-wide financial statements
- 2) Fund financial statements (a.) Governmental Funds (b.) Proprietary Funds
- 3) Notes to the financial statements
- 4) Supplementary information

Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

The Town's basic financial statements are comprised of the following:

1. **Government-wide Financial Statements**: Provides a broad overview of the Town's entire finances, in a manner similar to a private sector business.
 - ***Statement of Net Position*** - Shows the Town's assets & liabilities, with the difference of the two reported as Net Position. Changes in Net Position, over time, may serve as an indicator of whether the financial position of the Town is improving or deteriorating.
 - ***Statement of Activities*** - Shows the Town's revenue & expenses, which results in changes to Net Position, for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Government-wide Financial Statements, the Town is divided into two kinds of activities:

Governmental Activities, includes most of the Town's basic services and general administration. Sales and use taxes, fees and licensing and admission taxes finance most of these activities. The governmental activities of the Town include general government, public works, recreation, and community development.

Business-type Activities, includes charges for services provided to residents, which cover most of the cost of the services it provides. The business-type of activities include water and sewer services.

2. **Fund Financial Statements**: Groups related accounts to maintain control over resources, which have been segregated, for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town uses Governmental and Proprietary funds.
 - **Governmental Funds** – Used to account for essentially the same functions reported as *Governmental Activities (above)*, in the Governmental Fund Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on *near-term inflows and outflows of spendable resources*, as well as, *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements. These financial

Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

statements show how general government services were paid for in the short term and what remains for future spending.

In particular, *Fund Balance, whether restricted, assigned, committed or unassigned*, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The **required** financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. Only assets expected to be used and liabilities that come due during the year (or soon thereafter) are included. Capital assets are not included as assets. The measurement focus is on current financial resources and modified accrual accounting is used to report revenues and expenses.

The focus of *Governmental Funds* is narrower than *Government-Wide Financial Statements*. Therefore, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the *Government-Wide Financial Statements*. We provide a reconciliation to facilitate a comparison between *Governmental Funds* and *governmental activities*.

The Town maintains three Governmental Funds; General Fund, Road & Bridge Fund and CTF Fund. An annual appropriated budget is prepared for each fund.

- **Proprietary Funds** –Used to account for business-type activities.

The Town maintains one type of Proprietary Fund, which is an Enterprise Fund. Proprietary Funds provide the same type of information as the Government-Wide Financial Statements, but include more detail. The Proprietary Fund Financial Statements provide separate information for Water & Sewer services. A budgetary comparison schedule has been provided for this fund as supplemental information, to demonstrate compliance with the budget.

The **required** financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. All assets and liabilities, both financial and capital, long and short-term are provided. All revenues and expense are included regardless of when cash is received or paid.

3. **Notes to Financial Statements:** Provides additional information that is essential to fully understand the data provided in all financial statements. The notes to the financial statements can be found immediately following the basic financial statements.
4. **Supplemental Information** that must be disclosed according to the *Governmental Accounting Standards Board* is included after the Notes to Financial Statements. This

Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

includes a budgetary comparison statement for all governmental funds, to demonstrate compliance with the budget.

Other Supplemental Information is included, but not required, which is useful for a better understanding of the Town's activities. This includes a budgetary comparison statement for the water and sewer fund to demonstrate compliance with the budget and a Local Highway Finance Report, which is prepared annually, to identify receipts and expenditures of local governments.

Government-wide Financial Analysis

Condensed Comparative Statements of Net Position

(000's omitted)

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	605.8	1,034.8	4,223.5	1,282.2	4,829.3	2,317.0
Capital assets - net	1,550.0	1,665.8	5,038.6	4,075.9	6,588.6	5,741.7
Other noncurrent assets	1,312.7	687.4	(1,312.7)	(687.4)	-	-
Total assets	3,468.5	3,388.0	7,949.4	4,670.7	11,417.9	8,058.7
Liabilities						
Current liabilities	378.7	172.5	74.4	74.2	453.1	246.7
Noncurrent liabilities	440.2	458.6	4,801.1	2,682.6	5,241.3	3,141.2
Total Liabilities	818.9	631.1	4,875.5	2,756.8	5,694.4	3,387.9
Deferred Inflow of Resources	108.0	114.8	105.4	96.6	213.4	211.4
Net Position						
Investment in capital assets	992.6	1,083.6	213.4	2,142.5	1,206.0	3,226.1
Restricted	74.6	78.5	114.7	152.3	189.3	230.8
Unrestricted	1,474.4	1,480.0	2,640.5	(477.6)	4,114.9	1,002.4
Total Net Position	2,541.6	2,642.1	2,968.6	1,817.2	5,510.2	4,459.3

A review of the Statement of Net Position may serve as an indicator of trend changes in governments' financial position.

At December 31, 2017, Total Town assets exceeded liabilities and deferred inflows by approximately \$5.510 million as compared to approximately \$4.459 million at December 31, 2016.

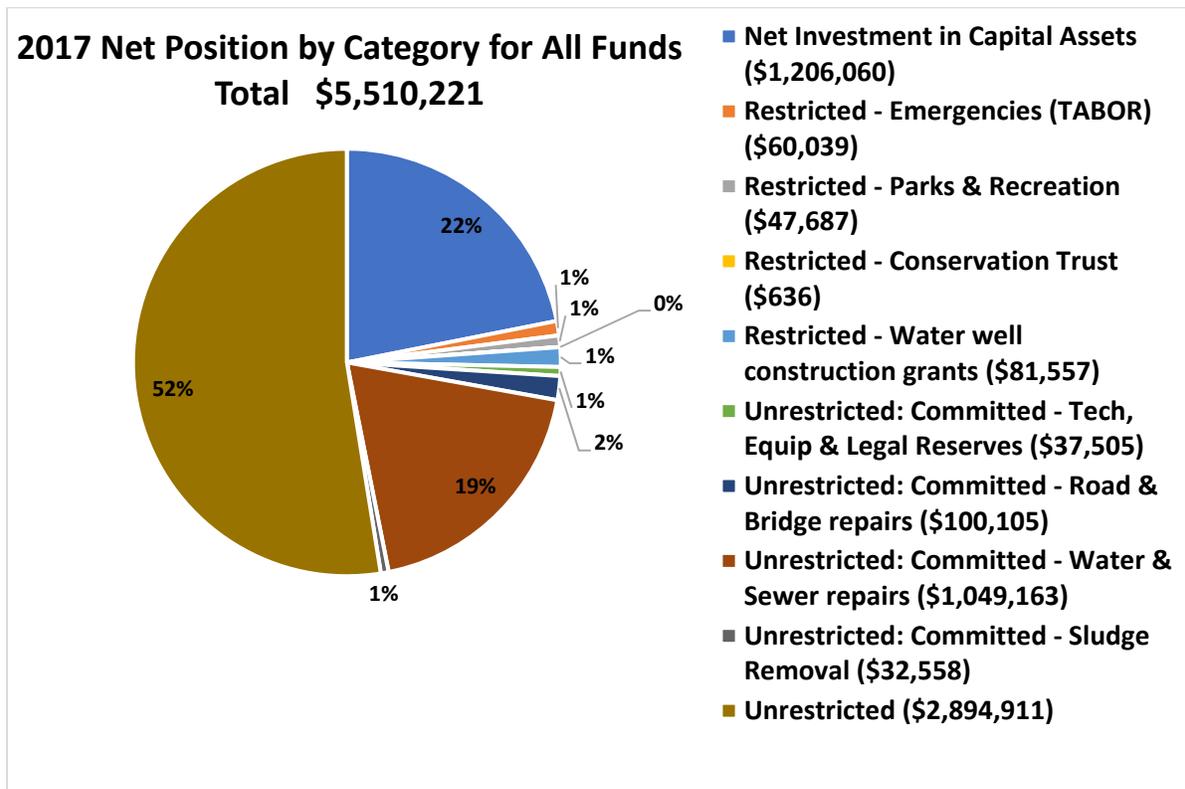
The Town's total net position at December 31, 2017, included net investment in capital assets of approximately \$1.206 million. Of this amount, approximately 17.7% was invested in capital assets being utilized for water and wastewater activities. At December 31, 2016, the net investment in capital assets was approximately \$3.226 million. Of this amount, approximately 66.4% was invested in capital assets being utilized for water and wastewater activities.

**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Cash and cash equivalents at December 31, 2017, totaled approximated \$4.2 million, an increase of approximately \$2.119 million over the cash and cash equivalent balances at December 31, 2016.

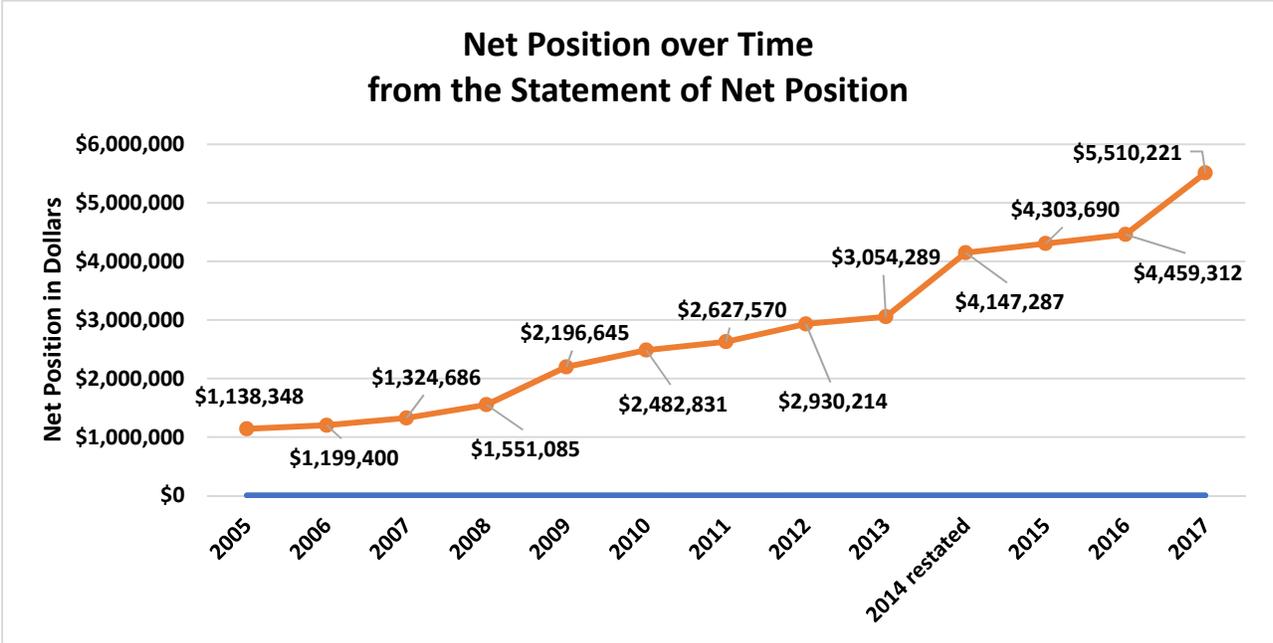
At December 31, 2017 and December 31, 2016, restricted net position was approximately \$189,300 and \$230,800, respectively, and, at December 31, 2017 and December 31, 2016, unrestricted net position was approximately \$4.115 million and \$1.002 million, respectively.

The following chart shows how the Net Position for the Town, as a whole, is broken down.



**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

The following chart shows the Net Position growth pattern over the last thirteen years.



Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Government-wide Financial Analysis

Condensed Comparative Statements of Activities

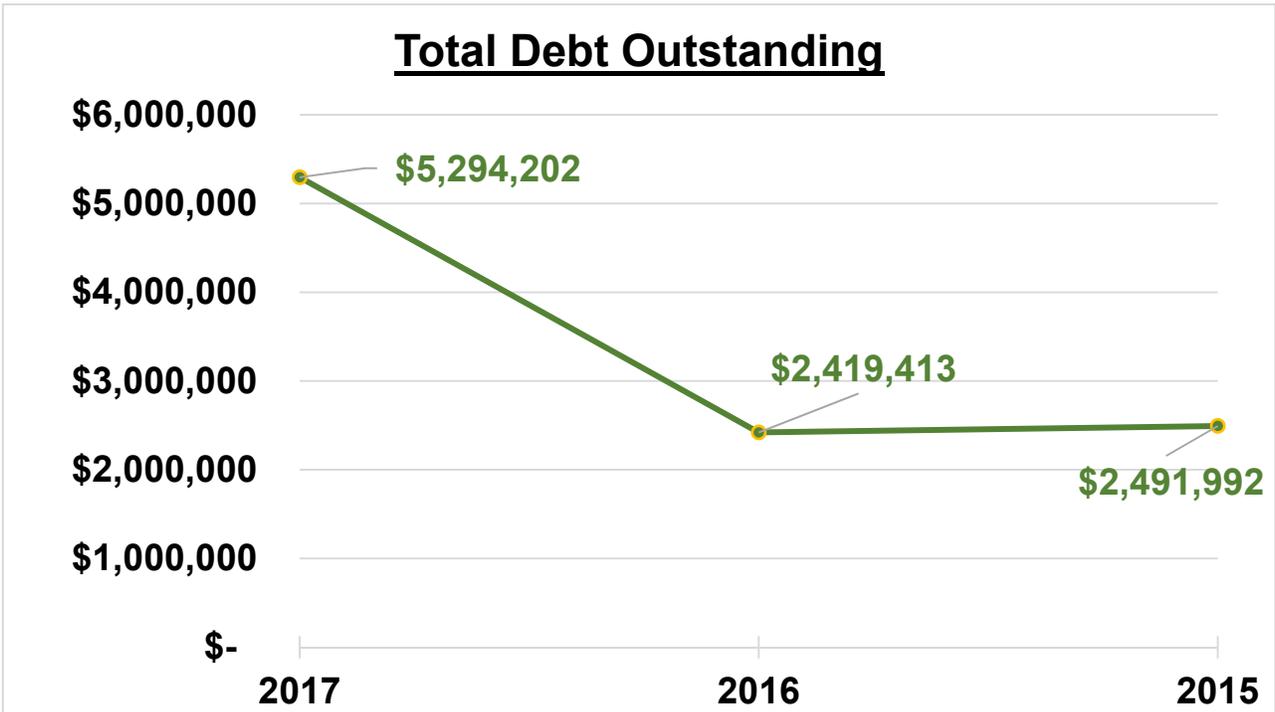
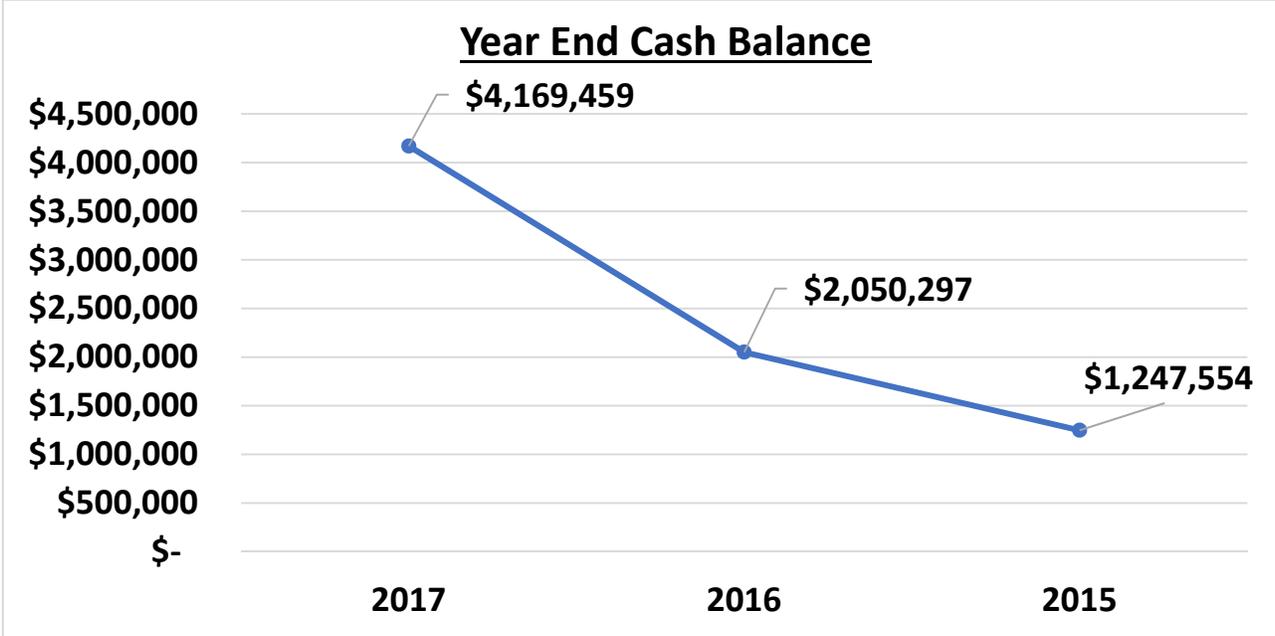
(000's omitted)

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenue						
Charges for services	8.8	8.1	943.5	158.7	952.3	166.8
Capital grants and contributions	6.5	6.0	469.5	152.4	476.0	158.4
General Revenue						
Taxes	768.4	788.6	93.1	85.1	861.5	873.7
Licenses and permits	26.4	23.7	-	-	26.4	23.7
Intergovernmental	66.0	60.8	-	-	66.0	60.8
Gain on sale of capital assets	6.8	9.2	-	-	6.8	9.2
Interest and miscellaneous	7.6	13.2	2.4	0.8	10.0	14.0
Transfer in	-	-	7.5	30.0	7.5	30.0
Total Revenue	890.5	909.6	1,516.0	427.0	2,406.5	1,336.6
Expenses						
General government	675.7	606.0	-	-	675.7	606.0
Public safety	34.2	27.0	-	-	34.2	27.0
Public works	64.2	63.3	-	-	64.2	63.3
Parks & recreation	187.7	180.8	-	-	187.7	180.8
Water & sewer	-	-	364.6	251.2	364.6	251.2
Interest	21.7	22.7	-	-	21.7	22.7
Transfer out	7.5	30.0	-	-	7.5	30.0
Total Expenses	991.0	929.8	364.6	251.2	1,355.6	1,181.0
Change in Net Position	(100.5)	(20.2)	1,151.4	175.8	1,050.9	155.6
Net Position - Beginning of Year	2,642.1	2,662.3	1,817.2	1,641.4	4,459.3	4,303.7
Net Position - End of Year	2,541.6	2,642.1	2,968.6	1,817.2	5,510.2	4,459.4

The Town's net position increased in 2017 by approximately \$1.051 million or 23.6% to approximately \$5.510 million. The increase resulted from governmental activities negative results of approximately (\$100.5) plus the business-type activities positive results of approximately \$1.151 million. The individual fund results included an interfund transfer of \$7,500 from governmental activities to business-type activities (the Water and Sewer Fund).

**Town of Larkspur, Colorado
 Management's Discussion and Analysis
 For the Year Ended December 31, 2017**

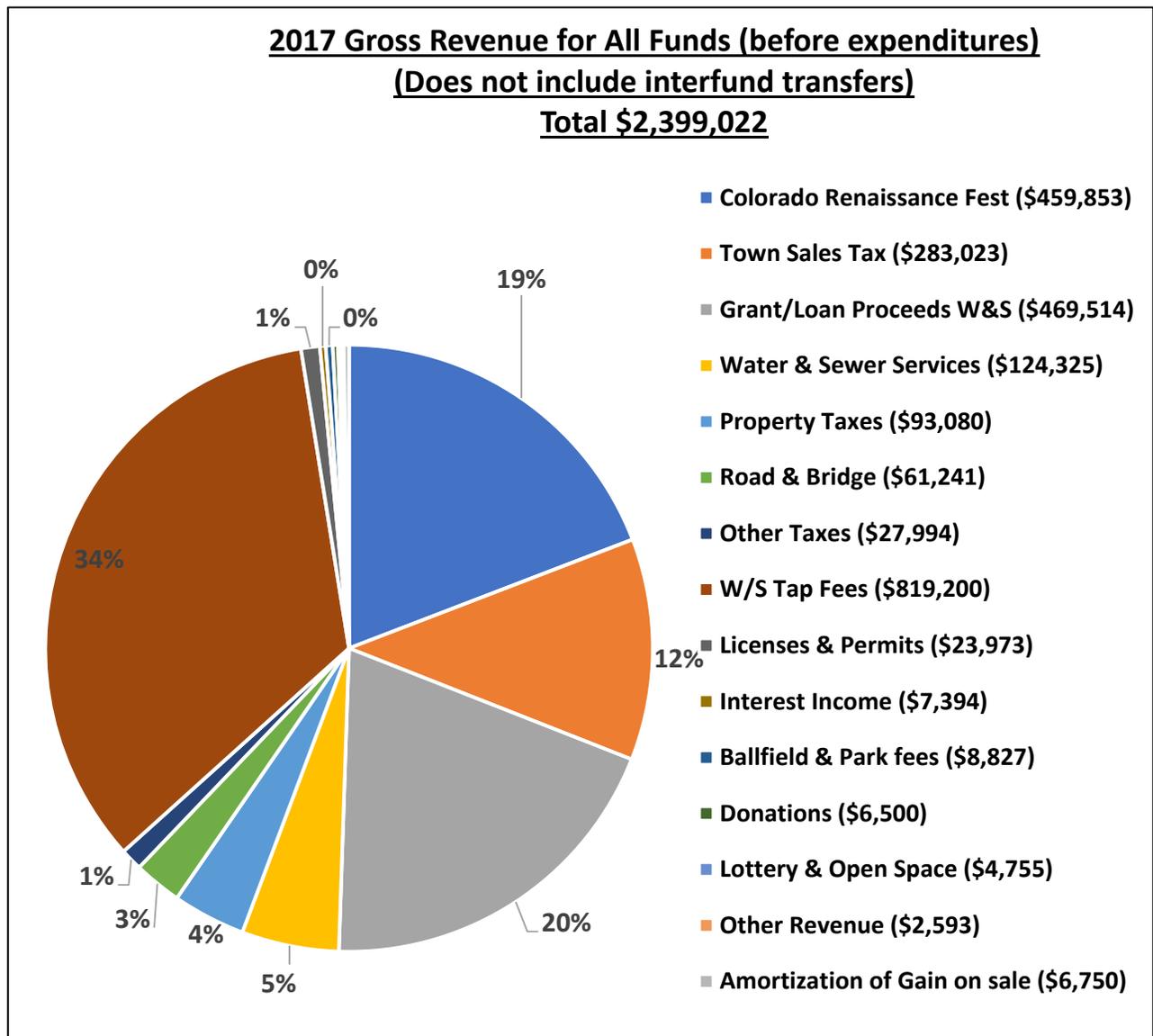
The following two charts show Government Wide trends over the past three years for year end Cash and Debt balances. Cash increased 103% compared to 2016. Debt increase 119%. Both are due mainly to the loan and construction of the water treatment plant.



**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

The following chart shows the Government Wide revenue of all funds combined, by category, to provide the total picture of the Town's revenue. The percentages show the relative contribution of each revenue type to the total revenue. It does not include inter-fund transfer revenue of \$7,500.

GOVERNMENT WIDE

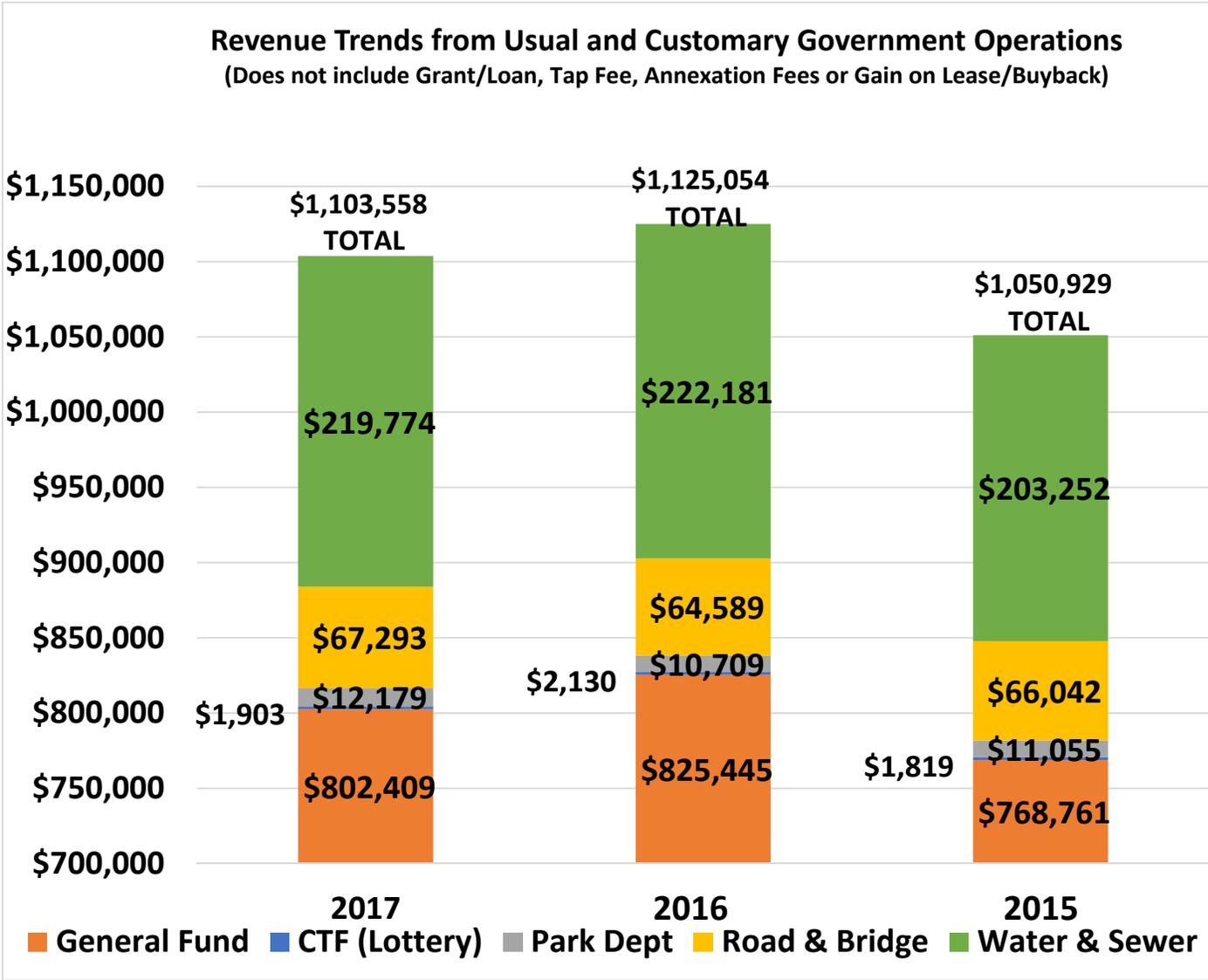


In 2017, total revenues, exclusive of interfund transfers, increased by 84% compared to 2016, to approximately \$2.399 million. This \$1,100M increase was primarily attributable to an increase in grant/loan revenue of \$317,100 and an increase in Tap Fees of \$820,000.

Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

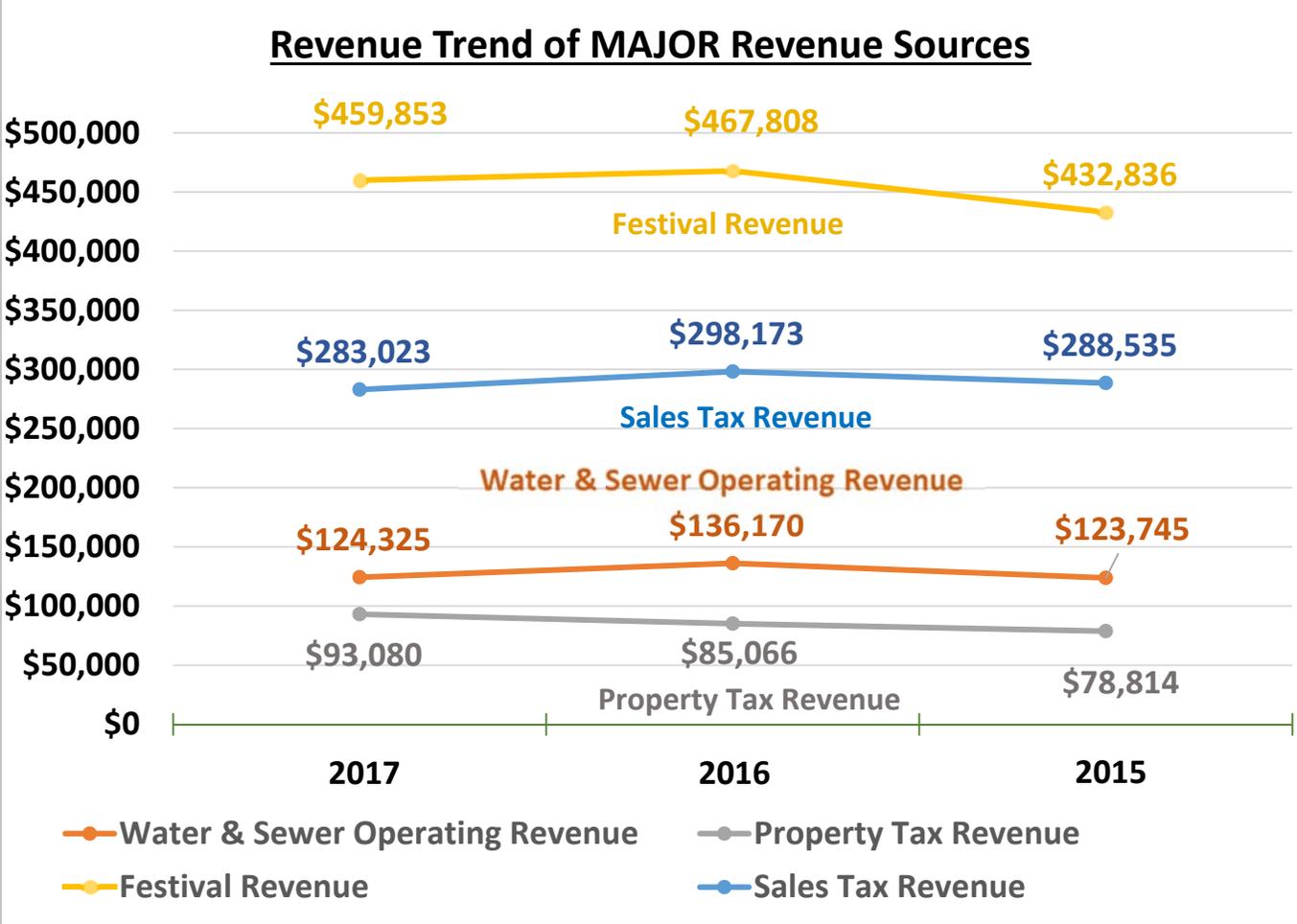
The following chart shows the Government Wide revenue for the last three years, for usual and customary revenue sources.

GOVERNMENT WIDE



**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

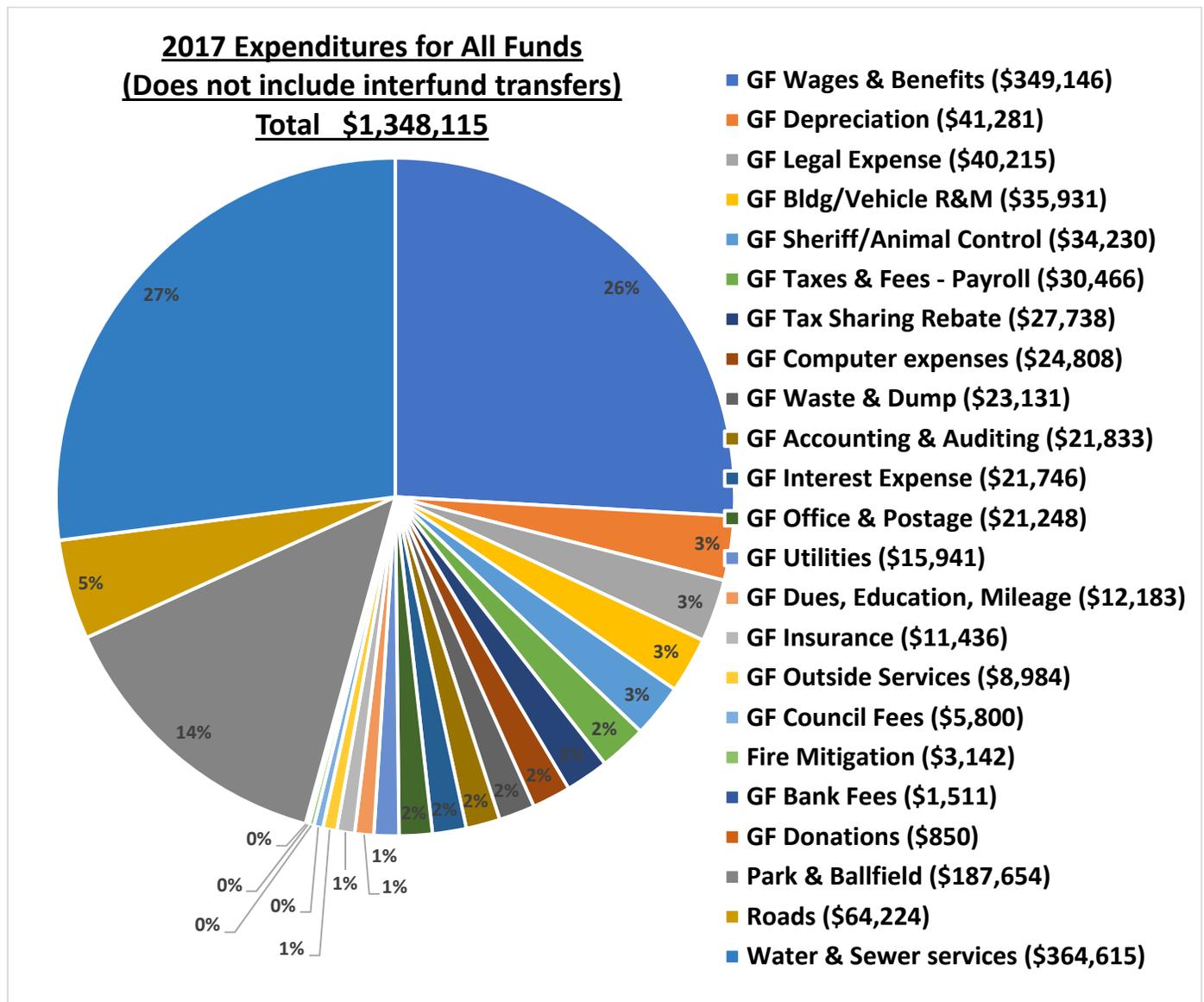
The following chart shows the trend of the last three years of the major sources of revenue for the Town.



**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

The chart below shows the Government Wide expenditures of all funds combined, by category, to provide a total picture of the Town's expenditures. The percentages show the relative breakdown of each expenditure type to the total expenditures. Since this is a Government-Wide chart, it includes depreciation expense (systematic write-off of previously purchased major items), rather than the year's actual expenditure for the major item purchases. It does not include interfund transfers.

GOVERNMENT WIDE

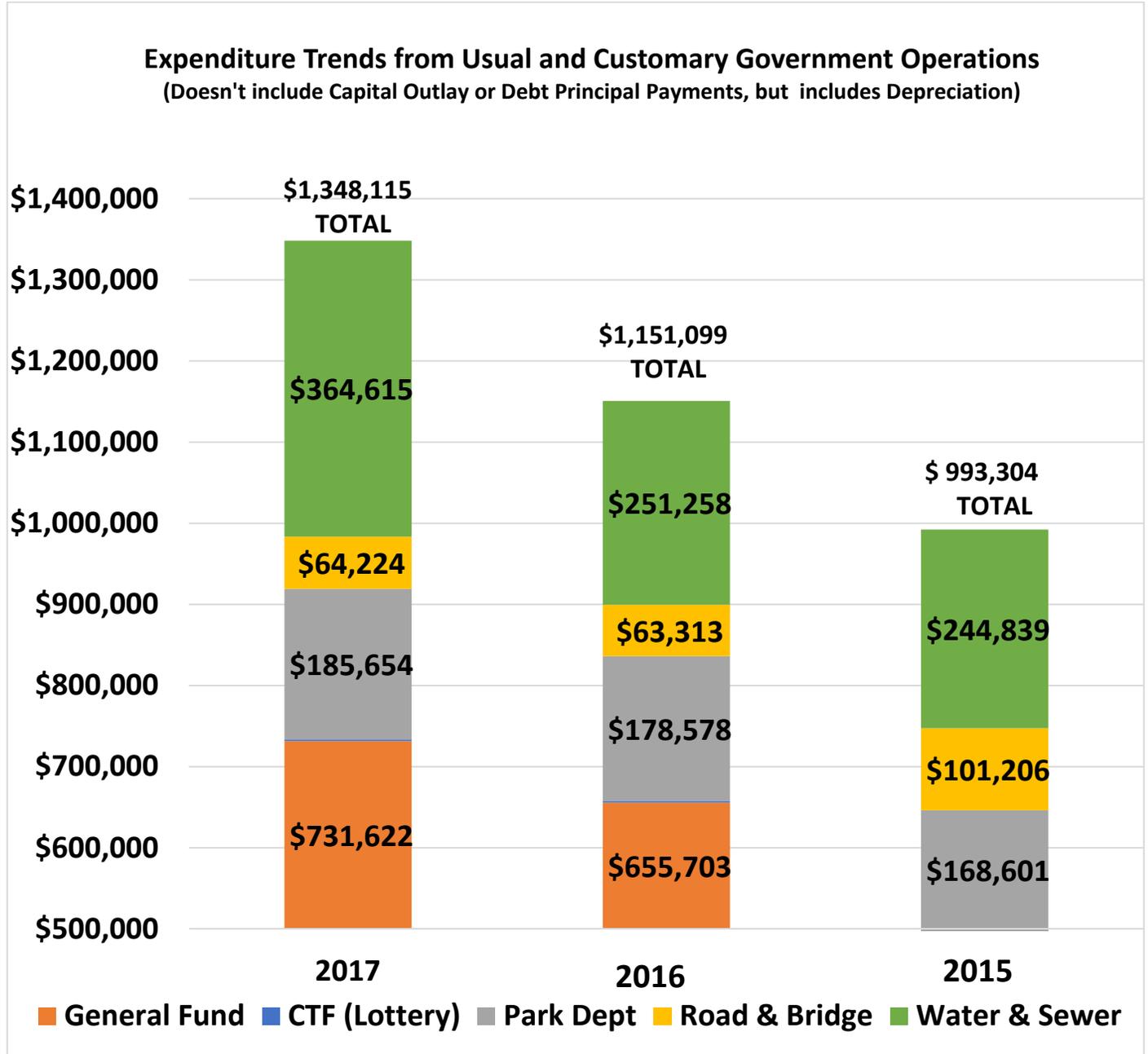


In 2017, total expenses, exclusive of interfund transfers, increased 15% compared to 2016. This increase was primarily attributable to increased expenses for water & sewer services, fire mitigation, wages, town dump expenditures, Town Hall maintenance, Sheriff services, and tax sharing rebate.

**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

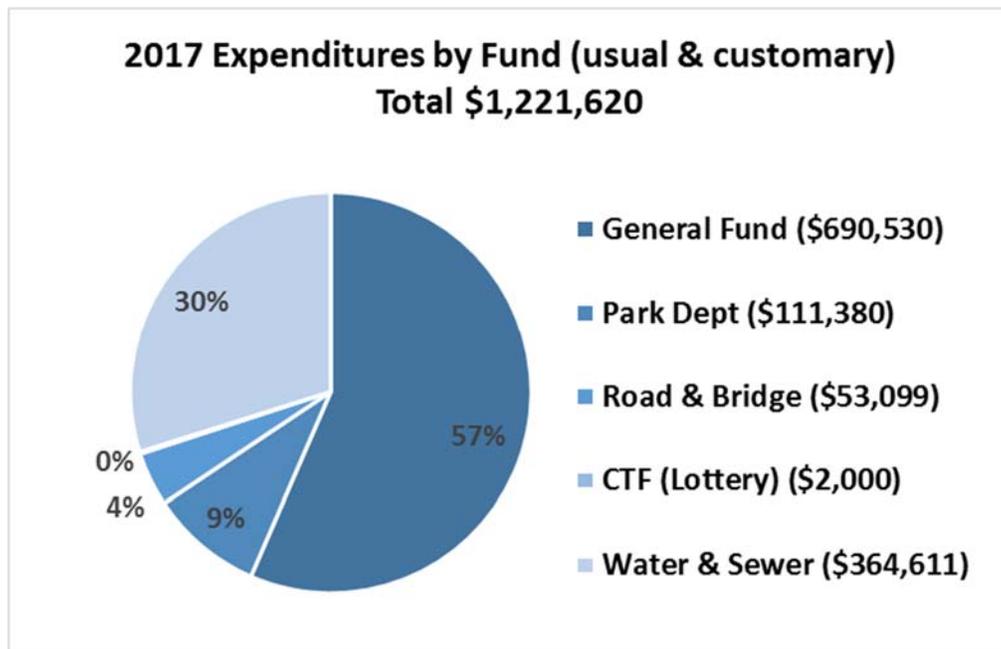
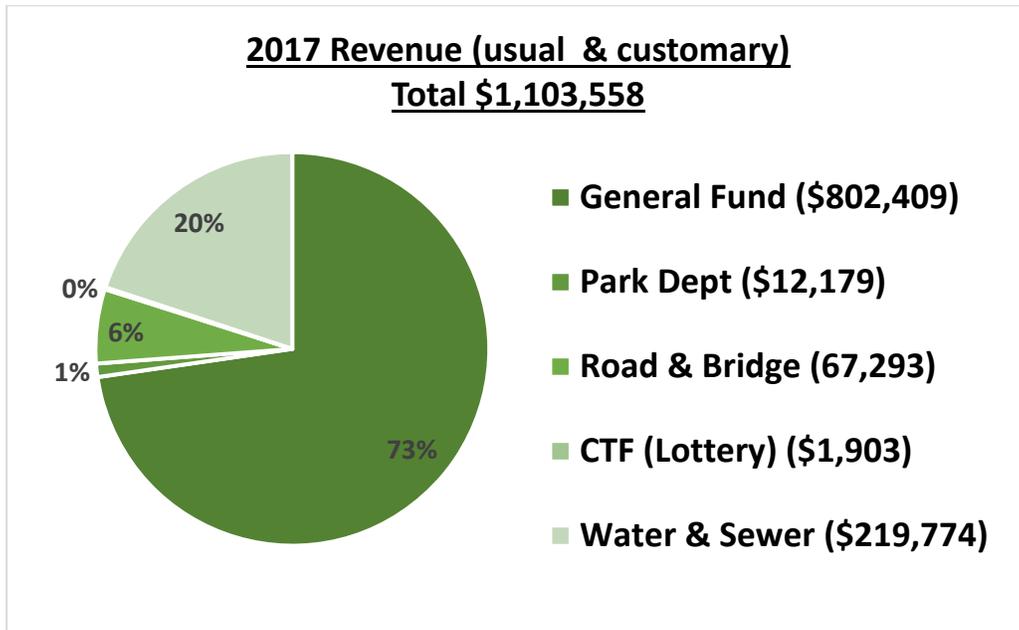
This chart shows the Government Wide expenditures for the last three years, for normal recurring expenditures. The increase in expenditures is primarily attributed to increased water & wastewater contract services, loan closing costs, wages and interest expense.

GOVERNMENT WIDE



Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

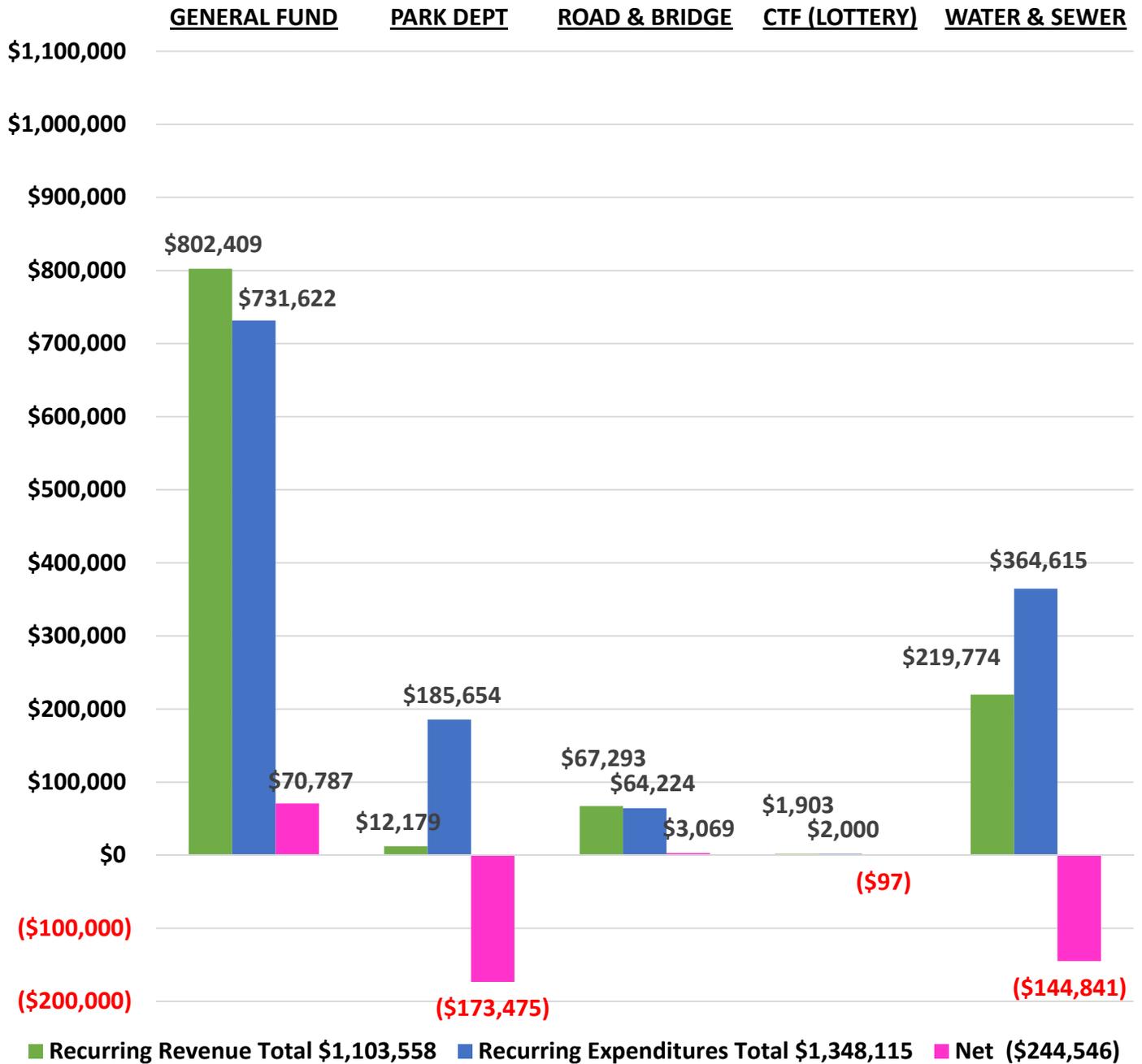
The following two charts show breakdowns from Fund Financial Statements, to provide the usual revenues and expenditures of each Fund, individually. The charts below do not include grant revenue, amortization of gain on sale, tap fee revenue, capital expenditures or interfund transfers.



**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

This following chart shows the profitability of each fund. The General Fund consistently supports the Park Department and the Water & Sewer Fund, which do not generate enough revenue to cover expenditures.

2017 Net Revenue Over/(Under) Expenditures per Fund
(without Grants)

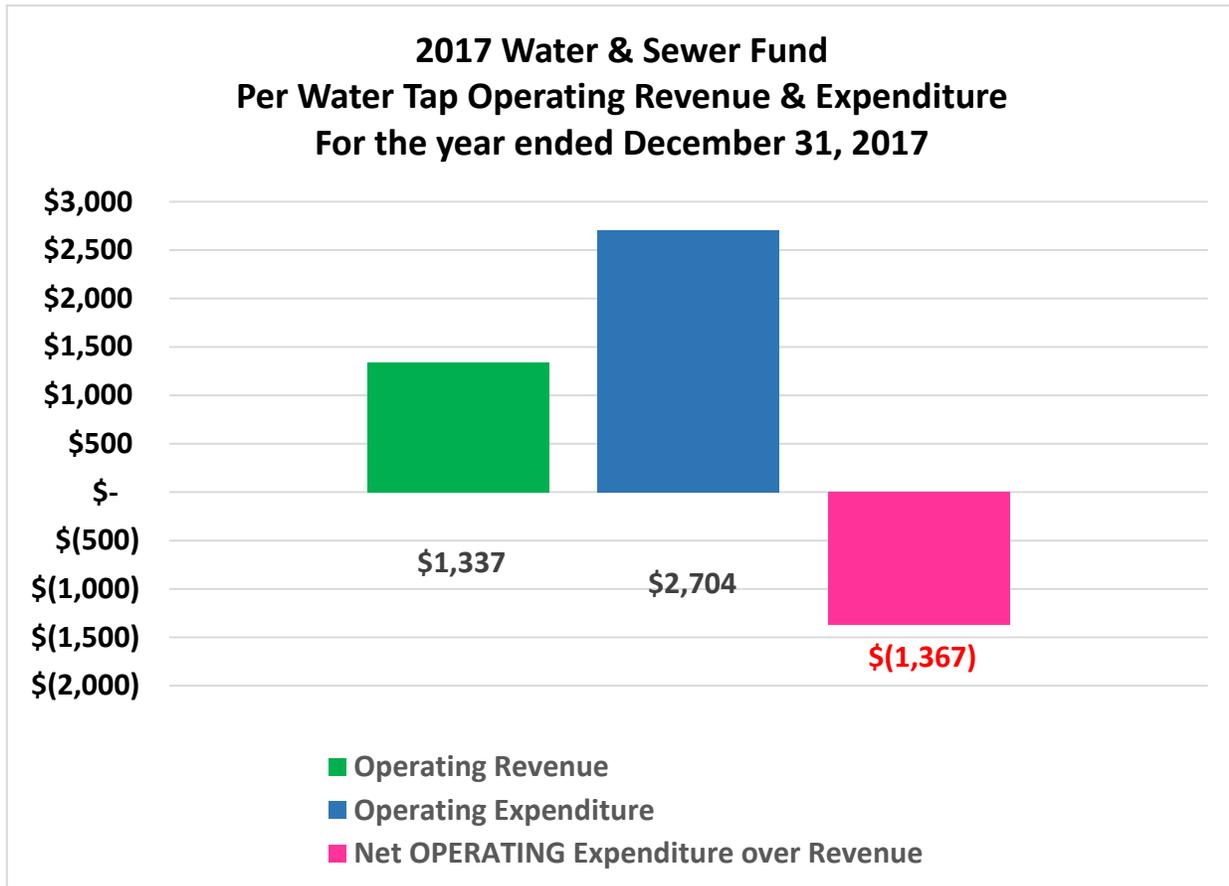


**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

The following chart shows details of the Water & Sewer Operating Revenue & Expenditures on a per water tap basis (based on 93 water taps). These are the revenues generated by residents and businesses for water & sewer services. These are the expenditures necessary to keep the water & sewer systems maintained. They do not include capital expenditures.

Per water tap the Water & Sewer Fund lost \$1,367 for the year ended December 31, 2017 on operations.

On the whole, the Water & Sewer Operating Revenue of \$124,325 was insufficient to cover the Water & Sewer Operating Expenditures of \$251,489 by \$127,164.

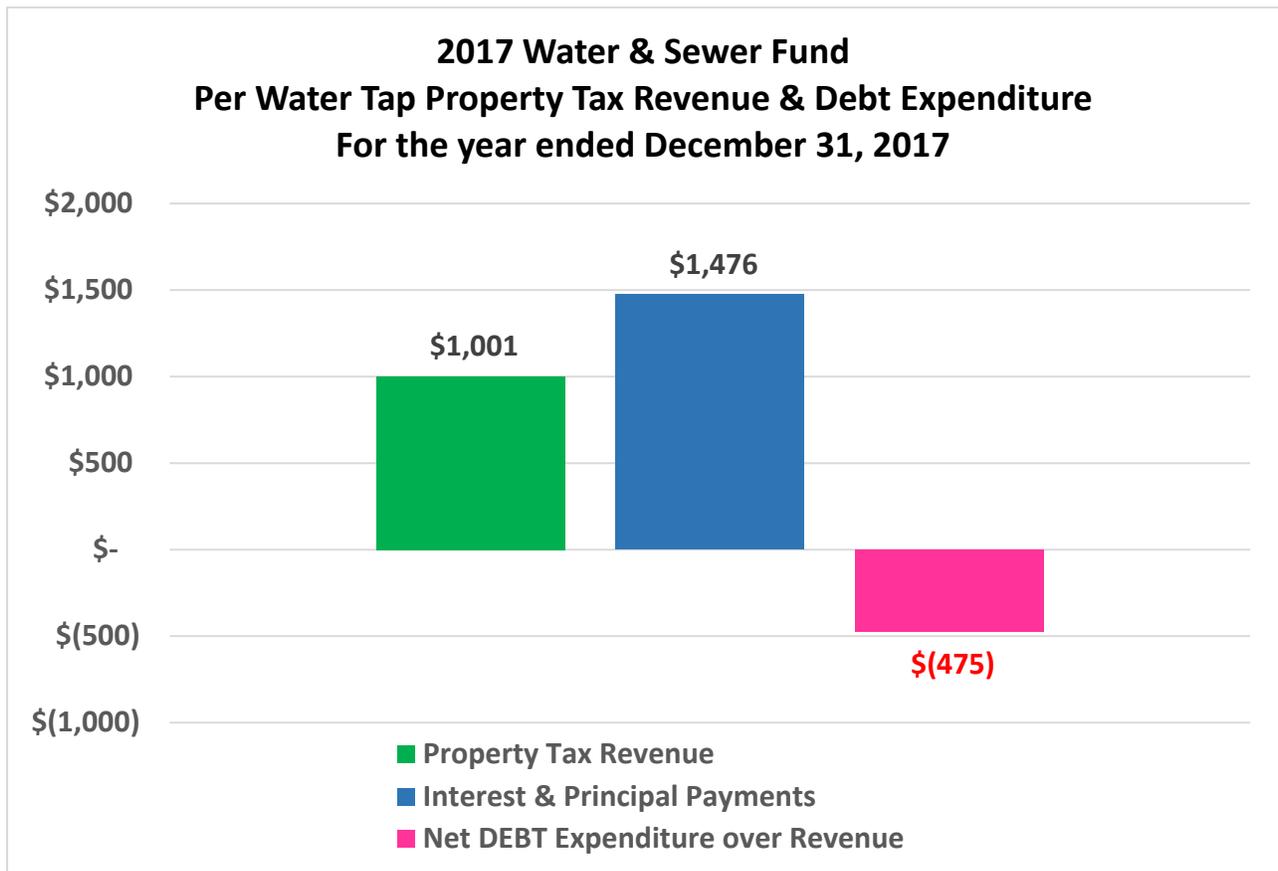


**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

The following chart shows details of the Water & Sewer Property Tax Revenue & Debt Payments on a per water tap basis (based on 93 active water taps). The 5 mills of Property Tax approved by the voters in 2012 was intended to cover all debt related to the new well. As the construction project continued and Radium was discovered, the construction costs increased, to treat the Radium.

Property Tax Revenue devoted to cover the debt payment was insufficient by \$475 for the year ended December 31, 2017, per water tap.

On a whole, the Property Tax Revenue of \$93,080 was insufficient to cover the Water & Sewer Debt Payments of \$137,270 by \$44,190.



Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Capital Assets

The Town's investment in capital assets, net of depreciation, at December 31, 2017, was approximately \$6.589 million, consisting of general government capital assets of approximately \$1.550 million and water and sewer fund (business-type activities) of approximately \$5.039 million. During 2017, there were general government capital asset additions of approximately \$64,858 primarily for leasehold improvements, equipment and construction in process. (See Note 6 of the Notes to Financial Statements). There was approximately \$1,016,353 of capital expenditure during 2017 for water and sewer activities. For comparison, at December 31, 2016, the Town's investment in capital assets, net of depreciation, was approximately \$5.742 million, consisting of governmental capital assets of approximately \$1.666 million and business-type activities capital assets of approximately \$4.076 million.

Details of the Town's capital assets and capital asset activity for 2017 are found in Note 6 of the Notes to Financial Statements.

The Town's budgeted capital outlay expenditures for 2017 totaled approximately \$915,500. Of this amount \$56,900 was budgeted for Water and Sewer fund improvements; \$683,600 was budgeted for General Fund; \$175,000 was budgeted for the Road and Bridge Fund. The Water and Sewer budgeted infrastructure expenditures are intended to be funded with grants and borrowings; the Road and Bridge Fund amount is intended to be funded with appropriations from the General Fund; and the budgeted capital outlay in the General Fund is intended to be financed with grants. Additional details can be obtained by contacting the Town.

Long-term Obligations

As of December 31, 2017, the Town had long-term obligations totaling approximately \$5.2 million, which includes \$103,162 of principal due in 2018. This total obligation represents approximately \$4.8 million for the Water and Sewer Fund and approximately \$440,000 for the Town Hall lease. Details of the 2017 financing activities and these obligations are included in Note 8 of the Notes to Financial Statements.

Budgetary Discussion

Budgetary comparison schedules are included in the accompanying, audited, financial statements. The line item details of amendments to the adopted 2017 budgets are identified in the budgetary comparison schedules included.

**Town of Larkspur, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Economic Factors and the 2018 Budget

As discussed in Note 10 of the Notes to Financial Statements, the Town has a dependency for revenues derived from the Colorado Renaissance Festival (CRF). The 2018 budget provides for an approximate 4% increase in revenue derived from the CRF.

The 2018 budgets provide for an approximate 111% increase in revenue over the actual 2017 results, due mainly to increased grant revenue and loan proceeds related to the new water treatment plant and decreased Capital Contribution from new water taps. The 2018 budgets provide for an approximate 138% increase in expenditures over the actual 2017 results, due mainly to capital outlay related to the new water treatment plant and the hiring of a full-time controller.

Readers are encouraged to review the 2018 budgets for more detail. Copies of the Town's annual, adopted budgets are available upon request.

Requests for Information

This financial report of the Town of Larkspur, Colorado, is designed to provide a general overview of the Town's finances for those with an interest in the Town's financial activities and financial position. Questions concerning information provided in this report and the audit report or requests for additional information should be addressed to Mayor Gerry Been at the Town Hall, 8720 Spruce Mountain Road, P.O. Box 310, Larkspur, Colorado 80118.

Government-Wide Financial Statements

Town of Larkspur, Colorado
Statement of Net Position
December 31, 2017

ASSETS	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Current Assets:			
Cash and cash equivalents - restricted	\$ 93	\$ 2,507,687	\$ 2,507,780
Cash and cash equivalents - unrestricted	491,421	1,170,258	1,661,679
Taxes receivable	105,063	105,353	210,416
Prepaid expenses	5,619	-	5,619
Accounts receivable	-	12,918	12,918
Other receivables	3,589	427,297	430,886
Total Current Assets	<u>605,785</u>	<u>4,223,513</u>	<u>4,829,298</u>
Non-Current Assets:			
Internal balances	1,312,735	(1,312,735)	-
Capital assets			
Nondepreciable	494,118	4,671,109	5,165,227
Depreciable	2,579,915	2,176,120	4,756,035
Accumulated depreciation	(1,524,028)	(1,808,575)	(3,332,603)
Total Capital Assets	<u>1,550,005</u>	<u>5,038,654</u>	<u>6,588,659</u>
Total Non-Current Assets	<u>2,862,740</u>	<u>3,725,919</u>	<u>6,588,659</u>
TOTAL ASSETS	<u>3,468,525</u>	<u>7,949,432</u>	<u>11,417,957</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	270,271	-	270,271
Accrued expenses	34,554	-	34,554
Current portion of accrued compensated absences	9,802	-	9,802
Current portion of long-term debt	18,970	74,390	93,360
Unearned revenues	4,680	-	4,680
Customer deposits	40,429	-	40,429
Total Current Liabilities	<u>378,706</u>	<u>74,390</u>	<u>453,096</u>
Non-Current Liabilities:			
Accrued sludge removal cost	-	49,705	49,705
Customer deposits	-	542	542
Tap fee deposits	-	-	-
Long-term portion of accrued compensated absences	9,802	-	9,802
Long-term debt, net	430,397	4,750,842	5,181,239
Total Non-Current Liabilities	<u>440,199</u>	<u>4,801,089</u>	<u>5,241,288</u>
TOTAL LIABILITIES	<u>818,904</u>	<u>4,875,479</u>	<u>5,694,383</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources - gain on building sale/leaseback	108,000	-	108,000
Deferred revenue - property taxes	-	105,353	105,353
TOTAL DEFERRED INFLOW OF RESOURCES	<u>108,000</u>	<u>105,353</u>	<u>213,353</u>
NET POSITION			
Net Investment in Capital Assets	992,638	213,422	1,206,060
Restricted			
Emergencies	26,239	33,800	60,039
Parks and recreation	47,687	-	47,687
Conservation trust fund	636	-	636
Water well construction grants	-	80,925	80,925
Unrestricted	1,474,421	2,640,453	4,114,874
TOTAL NET POSITION	<u>\$ 2,541,621</u>	<u>\$ 2,968,600</u>	<u>\$ 5,510,221</u>

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

Town of Larkspur, Colorado
Statement of Activities
For the Year Ended December 31, 2017

<u>PROGRAM ACTIVITIES</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET REVENUE (EXPENSE) AND CHANGES IN NET POSITION</u>		
		<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 675,650	\$ -	\$ -	\$ (675,650)	\$ -	\$ (675,650)
Public safety	34,230	-	-	(34,230)	-	(34,230)
Public works	64,223	-	6,000	(58,223)	-	(58,223)
Parks and recreation	187,653	8,827	500	(178,326)	-	(178,326)
Interest expense	21,746	-	-	(21,746)	-	(21,746)
Total Governmental Activities	<u>983,502</u>	<u>8,827</u>	<u>6,500</u>	<u>(968,175)</u>	<u>-</u>	<u>(968,175)</u>
Business-Type Activities:						
Water and sewer	<u>364,611</u>	<u>124,325</u>	<u>1,288,714</u>	<u>-</u>	<u>1,048,428</u>	<u>1,048,428</u>
Total Business-Type Activities	<u>364,611</u>	<u>124,325</u>	<u>1,288,714</u>	<u>-</u>	<u>1,048,428</u>	<u>1,048,428</u>
Total Primary Government	<u>\$ 1,348,113</u>	<u>\$ 133,152</u>	<u>\$ 1,295,214</u>	<u>\$ (968,175)</u>	<u>\$ 1,048,428</u>	<u>\$ 80,253</u>
General Revenues						
Taxes						
Property taxes				\$ -	\$ 93,080	\$ 93,080
General sales and use taxes				557,634	-	557,634
Admissions & miscellaneous taxes				210,806	-	210,806
Licenses and permits				26,404	-	26,404
Intergovernmental				65,995	-	65,995
Interest income				5,026	2,368	7,394
Gain on sale of capital assets				6,750	-	6,750
Miscellaneous				2,593	-	2,593
Transfers				(7,500)	7,500	-
Total General Revenues				<u>867,708</u>	<u>102,948</u>	<u>970,656</u>
Change in Net Position				<u>(100,467)</u>	<u>1,151,376</u>	<u>1,050,909</u>
Net Position Beginning				<u>2,642,088</u>	<u>1,817,224</u>	<u>4,459,312</u>
Net Position Ending				<u>\$ 2,541,621</u>	<u>\$ 2,968,600</u>	<u>\$ 5,510,221</u>

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

Fund Financial Statements

Town of Larkspur, Colorado

Governmental Funds

Balance Sheet

December 31, 2017

ASSETS	GENERAL FUND	ROAD & BRIDGE FUND	CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
Assets:				
Cash and cash equivalents - restricted	\$ -	\$ -	\$ 93	\$ 93
Cash and cash equivalents - unrestricted	391,316	100,105	-	491,421
Taxes receivable	100,610	4,453	-	105,063
Prepaid expenses	2,619	3,000	-	5,619
Due from other funds	1,171,926	140,266	543	1,312,735
Other receivables	<u>3,589</u>	<u>-</u>	<u>-</u>	<u>3,589</u>
Total Assets	<u>1,670,060</u>	<u>247,824</u>	<u>636</u>	<u>1,918,520</u>
 LIABILITIES				
Accounts payable	270,271	-	-	270,271
Accrued expenses	6,816	-	-	6,816
Unearned revenues	4,680	-	-	4,680
Customer deposits	<u>40,429</u>	<u>-</u>	<u>-</u>	<u>40,429</u>
Total Liabilities	<u>322,196</u>	<u>-</u>	<u>-</u>	<u>322,196</u>
 Fund Balances				
Nonspendable	2,619	3,000	-	5,619
Restricted for				
Parks and recreation	47,687	-	-	47,687
Conservation trust fund	-	-	636	636
Emergencies	24,220	2,019	-	26,239
Committed	37,505	100,105	-	137,610
Assigned	70,000	142,700	-	212,700
Unassigned	<u>1,165,833</u>	<u>-</u>	<u>-</u>	<u>1,165,833</u>
Total Fund Balances	<u>1,347,864</u>	<u>247,824</u>	<u>636</u>	<u>1,596,324</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,670,060</u>	<u>\$ 247,824</u>	<u>\$ 636</u>	<u>\$ 1,918,520</u>

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

Town of Larkspur, Colorado
Reconciliation of Total Governmental Fund Balances
to the Statement of Net Position
December 31, 2016

Total Governmental Fund Balances	\$ 1,596,324
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	
Total capital assets	3,074,033
Accumulated depreciation	(1,524,028)
The gain on a sale leaseback transaction is recorded as a deferred inflow of resources and recognized in a systematic and rational manner over the lease term.	
Deferred gain on sale leaseback transaction	(114,750)
Current-year recognition of gain on sale leaseback	6,750
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds	
Long-term debt	(449,367)
Accrued compensated absences	(19,603)
Accrued tax sharing rebate	(27,738)
	(496,708)
Net Position of Governmental Activities	<u>\$ 2,541,621</u>

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

Town of Larkspur, Colorado
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 311,017	\$ -	\$ -	\$ 311,017
Festival Taxes & Licenses	459,853	-	-	459,853
Licenses and permits	23,974	-	-	23,974
Intergovernmental revenues	2,852	61,241	1,902	65,995
Interest	4,973	52	1	5,026
Parks and recreation revenues	9,327	-	-	9,327
Grant and in-kind revenues	-	6,000	-	6,000
Miscellaneous revenues	2,593	-	-	2,593
TOTAL REVENUES	<u>814,589</u>	<u>67,293</u>	<u>1,903</u>	<u>883,785</u>
EXPENDITURES:				
Current:				
General government	605,586	-	-	605,586
Public safety	34,230	-	-	34,230
Public works	-	30,482	-	30,482
Capital expenditures	42,241	22,617	-	64,858
Parks and recreation expenses	80,015	-	2,000	82,015
Debt Service				
Principal repayment	18,092	-	-	18,092
Interest expense	21,746	-	-	21,746
TOTAL EXPENDITURES	<u>801,910</u>	<u>53,099</u>	<u>2,000</u>	<u>857,009</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,679	14,194	(97)	26,776
OTHER FINANCING SOURCES (USES)				
Operating Transfer In (Out)	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
NET CHANGE IN FUND BALANCE	5,179	14,194	(97)	19,276
FUND BALANCES, BEGINNING OF YEAR	<u>1,342,685</u>	<u>233,630</u>	<u>733</u>	<u>1,577,048</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,347,864</u>	<u>\$ 247,824</u>	<u>\$ 636</u>	<u>\$ 1,596,324</u>

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

Town of Larkspur, Colorado
Reconciliation of the Statements of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017

Net Change In Fund Balance - Governmental Funds	\$ 19,276
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	64,858
Depreciation expense	(180,660)
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.</p>	
	18,092
<p>Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported in the fund financials.</p>	
Increase in compensated absences	(1,045)
2017 tax sharing rebate payable in April 2018	(27,738)
<p>Recognition of deferred inflows of resources in the current year:</p>	
Amortization of deferred inflow of resources on sale-leaseback	6,750
Change in net position of governmental activities	\$ (100,467)

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

Town of Larkspur, Colorado

Proprietary Fund Statement of Net Position December 31, 2017

	Water And Sewer
ASSETS	
Current Assets:	
Cash and cash equivalents - restricted	\$ 2,507,687
Cash and cash equivalents - unrestricted	1,170,258
Accounts receivable, net of allowance of \$400	12,918
Grant receivables	422,611
Other receivables	4,686
Property taxes receivable	<u>105,353</u>
Total Current Assets	<u>4,223,513</u>
Non-Current Assets:	
Capital Assets:	
Nondepreciable	4,671,109
Depreciable	2,176,120
Accumulated depreciation	<u>(1,808,575)</u>
Total Non-Current Assets	<u>5,038,654</u>
TOTAL ASSETS	<u>9,262,167</u>
LIABILITIES	
Current Liabilities:	
Customer deposits	542
Notes payable - due in one year	<u>74,390</u>
Total Current Liabilities	<u>74,932</u>
Non-Current Liabilities:	
Due to other funds	1,312,735
Installment loans payable	4,750,842
Accrued sludge removal cost	<u>49,705</u>
Total Non-Current Liabilities	<u>6,113,282</u>
TOTAL LIABILITIES	<u>6,188,214</u>
Deferred Inflows of Resources	
Unearned property tax revenue	<u>105,353</u>
NET POSITION	
Net investment in capital assets	213,422
Restricted	114,725
Unrestricted	<u>2,640,453</u>
TOTAL NET POSITION	<u>\$ 2,968,600</u>

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

Town of Larkspur, Colorado
Proprietary Fund
Statement of Revenues, Expenditures and Changes in Fund Net Position
For the Year Ended December 31, 2017

	Water And Sewer
OPERATING REVENUES	
Charges for services	\$ 124,325
Total Operating Revenues	124,325
OPERATING EXPENSES	
Professional services	100,466
Depreciation and amortization	53,557
Utilities	39,756
Maintenance and repairs	40,573
Supplies	1,594
Personnel services	2,188
Miscellaneous	1,363
Testing	11,992
Total Operating Expenses	251,489
Income (Loss) From Operations	(127,164)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	93,080
Capital grants	469,514
Interest income	2,368
Loan closing costs	(50,056)
Interest expense	(63,066)
Total Non-Operating Revenues (Expenses)	451,840
Net Income Before Contributions and Transfers	324,676
Capital contributions - tap fees	819,200
Transfers In (Out)	7,500
CHANGE IN NET POSITION	1,151,376
NET POSITION, BEGINNING OF YEAR	1,817,224
NET POSITION, END OF YEAR	\$ 2,968,600

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

Town of Larkspur, Colorado

Proprietary Fund Statement of Cash Flows For the Year Ended December 31, 2017

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 124,647
Cash payment for salaries and benefits	(2,188)
Cash payment for goods and services	<u>(187,702)</u>
Net Cash From Operating Activities	<u>(65,243)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash transferred from other funds	7,500
Cash transferred on interfund loans	625,336
Cash received from taxes	<u>93,080</u>
Net Cash From Non-Capital Financing Activities	<u>725,916</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Interest paid on installment loan payable	(2,020)
Interest paid on capital lease	(61,046)
Payments of installment loan payable	(74,164)
Purchases of capital assets	(1,016,353)
Proceeds from capital lease financing	2,915,944
Proceeds from capital grants and other contributions	<u>90,936</u>
Net Cash From Capital and Financing Activities	<u>1,853,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>2,368</u>
Net Cash From Investing Activities	<u>2,368</u>
Net Change in Cash and Cash Equivalents	2,516,338
CASH AND CASH EQUIVALENTS	
Beginning of Year	<u>1,161,607</u>
End of Year	<u><u>\$ 3,677,945</u></u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities	
Net Operating Income (Loss)	\$ (127,164)
Adjustments to reconcile loss from operations to net cash used in operating activities	
Depreciation and amortization	53,557
Changes in assets and liabilities	
Change in accounts receivable	322
Change in accrued liabilities	7,500
Transfer of CIP to fixed assets	-
Change in tap fee deposits	<u>542</u>
Net Cash From Operating Activities	<u><u>\$ (65,243)</u></u>

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

Town of Larkspur, Colorado

Notes to Financial Statements

December 31, 2017

1. Definition of Reporting Entity

The Town of Larkspur, Colorado (the Town), is incorporated under Colorado statutes to provide public safety, highways and streets, water service, health and social services, culture and recreation, public health improvements, planning and zoning and general administrative services. The Town is located in Douglas County and operates under a Mayor-Council form of government.

An elected Mayor and Town Council are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The Town's major operations include road maintenance, water and wastewater services, culture and recreation.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

In accordance with governmental accounting standards, the Town has considered the possibility of inclusion of additional entities in its general purpose financial statements. The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it. The Town has determined that there are no includible entities for the year ended December 31, 2017.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide and Fund Financial Statements

The Statement of Net Position presents the financial condition of the Town, as a whole, at year end. The Statement of Activities presents a comparison between program expenses and the program revenues for each program or function of the Town. Program expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

to a particular program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

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

Fund Accounting

The accounts of the Town are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The categories of funds used by the Town are governmental and proprietary.

Governmental funds are those through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's governmental funds:

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

Road And Bridge Fund - This special revenue fund accounts for all proceeds that are restricted to expenditures for repairs and improvements to roads and bridges.

Conservation Trust Fund - This special revenue fund accounts for all lottery proceeds received by the Town that are restricted to expenditures for parks and recreation.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The Town's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Water And Sewer Fund - This enterprise fund is used to account for the revenues generated from the charges for distribution of water service and sanitary sewer service provided to the residential and commercial users of the Town.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis Of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units. The Town complies with GAAP and applies all relevant GASB pronouncements.

Revenues

Revenues resulting from exchange transactions, in which each party gives and receives essentially the same value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, typically within 60 days of realization.

Nonexchange transactions, in which the Town receives value without directly giving value in return, include property taxes, annexation fees, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from nonexchange transactions must also be available, typically within 60 days, before it can be recognized.

Deferred Inflows Of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The Town has unearned property tax revenue and other revenue and a deferred gain on a sale-leaseback transaction. These items are reported as deferred inflows on the government-wide and proprietary fund statements of net position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Cash And Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as liquid investments with original maturity dates of one year or less.

Interfund Receivables And Payables

On fund financial statements, short-term amounts owed between funds are classified as due to/from other funds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in other funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Town maintains a capitalization policy of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20-30 years
Equipment	7-20 years
Vehicles	7 years
Roads	10 years
Reservoir, plant and lines	10-45 years
Park facilities	7-30 years

Bond Discounts And Issuance Costs

In governmental funds, bond discounts are recognized in the current period. Bond discounts for proprietary fund types and for all activities on the government-wide financial statements are amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond issuance costs are recognized in the current period in the government-wide and fund financial statements.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacations are accrued according to GAAP. Employees are allowed to accumulate vacation and sick pay. Up to 1 week (40 hours) of vacation may be earned in the first year of employment. After 1 year of employment, an employee may earn an additional week (40 hours) of vacation. Up to 30 days of vacation and sick pay may be accumulated. Sick pay will not be paid at termination. The Town's resolutions provide additional guidance.

Accrued Liabilities And Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Long-term leases are recognized as a liability on the governmental fund financial statements when due.

Fund Equity/Fund Balance

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted - The component of net position that does not meet the definition above.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

In the governmental funds, fund balances should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable fund balance*** – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- ***Restricted fund balance*** – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- ***Committed fund balance*** – The portion of fund balance that can only be used for specified purposes according to limitations imposed by the Town Council prior to the end of the current fiscal year. The constraint may be imposed, removed or changed only by resolution of the Town Council.
- ***Assigned fund balance*** – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. The intended use may be expressed by the Town Council or other individuals authorized to assign funds to be used for a specific purpose. In governmental funds, assigned fund balance represents the amount that is not nonspendable, restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purpose of that fund. The Town Council has designated the Mayor as the individual authorized to assign funds.
- ***Unassigned fund balance*** – The residual portion of fund balance that does not meet any of the criteria described above. The Town will only report a positive unassigned balance in the General Fund.

In the Town's fund balance policy, it is not specifically identified in which order the spending should occur. Therefore, the Town takes the position that the order of spending defaults to restricted, committed, assigned and unassigned fund balance.

Net Position

Net position represents the difference between assets and liabilities. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Property Taxes

Property taxes are not due and payable until after the assessment year has ended and are not included in the budget or statement of revenues, expenditures and changes in fund balance of the assessment year. Property taxes are initially recorded as deferred inflows of resources in the year they are levied. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. Douglas County bills and collects its own property taxes and the taxes for various other entities, including for the Town.

Operating Revenues And Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Capital Contributions

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap fees or from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

3. Cash and Cash Equivalents

Deposits with Financial Institutions

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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The Town does not have a formal deposit policy but does follow state statutes. The Federal Depository Insurance Corporation (FDIC) insures balances up to \$250,000 per depositor. At December 31, 2017, the Town had \$3,682,676 in excess of the FDIC coverage level.

At December 31, 2017, the Town's cash deposits had the following book and bank balances:

<u>Type</u>	<u>Rating</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Deposits			
Petty cash	Not rated	\$ 250	\$ -
Checking accounts	Not rated	3,814,868	3,912,672
Savings	Not rated		
Investment pools	AAAm	<u>354,341</u>	<u>354,341</u>
Total Cash and Cash Equivalents		<u>\$ 4,169,459</u>	<u>\$ 4,267,013</u>

Investments

The Town generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Town is not subject to concentration risk disclosure requirements or to investment custodial credit risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Town Council. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

3. Cash and Cash Equivalents (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

Designated Cash

As of December 31, 2017, the following cash balances have been designated for the following purposes:

Peoples Bank Restricted for CTF	\$ 93
Peoples Bank Reserved for Technology (1)	7,496
Peoples Bank Reserved for Equipment (1)	10,005
Peoples Bank Reserved for Legal (1)	20,004
COLOTRUST Reserved for Sludge Removal (1)	32,558
Peoples Bank Restricted for Water Well Construction Grants (2)	80,925
COLOTRUST Reserved for sidewalks (partial)	82,681
Peoples Bank Reserved for Road & Bridge Repairs (1)	100,105
Peoples Bank Restricted for WTP Lease Payments	104,719
Peoples Bank Reserved for Water System & Tap Repairs (1)	267,251
Peoples Bank Escrow for Sun Jelly Tap Fee Deposits (1)	781,912
Peoples Bank Restricted for WTP Construction	<u>2,160,568</u>
Total Designated Cash	<u>\$3,648,317</u>

COLOTRUST

The Town invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

3. Cash and Cash Equivalents (continued)

PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard & Poor's.

4. Fair Value Measurement and Application

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee).

The Town has invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

5. Interfund Transfers

The following schedule summarizes the Town's interfund transfers for the year ended December 31, 2017:

	Transfers In	Transfers out
General Fund	\$ -	\$ 7,500
Water and Sewer Fund	7,500	-
	\$ 7,500	\$ 7,500

Transfers are used to subsidize activities accounted for in other funds and to finance projects accounted for in other funds in accordance with budgetary authorizations.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

6. Capital Assets

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

	Balance December 31, 2016	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2017
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 441,532	\$ -	\$ -	\$ 441,532
Construction in progress	4,715	47,871	-	52,586
Total capital assets, not being depreciated	446,247	47,871	-	494,118
Capital assets, being depreciated:				
Building and improvements	434,082	16,987	-	451,069
Roads	818,827	-	-	818,827
Vehicles and equipment	146,572	-	-	146,572
Park facilities and equipment	1,113,937	-	-	1,113,937
Office equipment	49,510	-	-	49,510
Total capital assets, being depreciated	2,562,928	16,987	-	2,579,915
Less accumulated depreciation for:				
Buildings and improvements	(54,149)	(20,269)	-	(74,418)
Roads	(564,079)	(33,741)	-	(597,820)
Vehicles and equipment	(51,872)	(17,745)	-	(69,617)
Park facilities and equipment	(627,025)	(105,638)	-	(732,663)
Office equipment	(46,243)	(3,267)	-	(49,510)
Total accumulated depreciation	(1,343,368)	(180,660)	-	(1,524,028)
Total capital assets, being depreciated, net	1,219,560	(163,673)	-	1,055,887
Capital assets, net	\$ 1,665,807	\$ (115,802)	\$ -	\$ 1,550,005

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

6. Capital Assets (continued)

	Balance December 31, 2016	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2017
<u>Business-Type Activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,579,756	\$ 1,016,353	\$ -	\$ 4,596,109
Land	75,000	-	-	75,000
Total capital assets, not being depreciated	3,654,756	1,016,353	-	4,671,109
Capital assets, being depreciated:				
Wastewater collection	337,144	-	-	337,144
Wastewater treatment	192,050	-	-	192,050
Water treatment	815,795	-	-	815,795
Water distribution	831,131	-	-	831,131
Total capital assets, being depreciated	2,176,120	-	-	2,176,120
Less accumulated depreciation for:				
Wastewater collection	(284,710)	(9,202)	-	(293,912)
Wastewater treatment	(179,622)	(2,960)	-	(182,582)
Water treatment	(719,045)	(12,199)	-	(731,244)
Water distribution	(571,641)	(29,196)	-	(600,837)
Total accumulated depreciation	(1,755,018)	(53,557)	-	(1,808,575)
Total capital assets, being depreciated, net	421,102	(53,557)	-	367,545
Capital assets, net	\$ 4,075,858	\$ 962,796	\$ -	\$ 5,038,654

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

6. Capital Assets (continued)

Governmental activities depreciation expense by function:

General government	\$ 41,281
Public works	33,741
Parks and recreation	<u>105,638</u>
	<u>\$ 180,660</u>

Business-type activities depreciation expense by function:

Water and Sewer	<u>\$ 53,557</u>
-----------------	------------------

7. Interfund Receivables and Payables

At December 31, 2017, the Town's interfund receivables and payables consisted of the following:

	Receivables	Payables
General Fund	\$ 1,171,926	\$ -
Conservation Trust	543	-
Road and Bridge Fund	140,266	-
Water and Sewer Fund	<u>-</u>	<u>1,312,735</u>
	<u>\$ 1,312,735</u>	<u>\$ 1,312,735</u>

The interfund balances resulted from current and prior transfers that were used to subsidize activities accounted for in other funds and to finance projects accounted for in other funds in accordance with budgetary authorizations. The interfund balances are not scheduled to be collected in the subsequent year.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

8. Long-Term Obligations

The following is a schedule of changes in long-term obligations of the Town during 2017:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017	Amounts Due Within One Year
Governmental Activities					
New Town Hall lease	\$ 467,456	\$ -	\$ (18,089)	\$ 449,367	\$ 18,970
Compensated absences	18,561	20,526	(19,484)	19,603	9,802
Business-Type Activities					
Water loan	66,729	-	(7,497)	59,232	-
Colorado water resource loan	1,866,667	-	(66,667)	1,800,000	74,390
Water treatment plant lease	-	2,966,000	-	2,966,000	-
Total	<u>\$ 2,419,413</u>	<u>\$ 2,986,526</u>	<u>\$ (111,737)</u>	<u>\$ 5,294,202</u>	<u>\$ 103,162</u>

The details of the Town's long-term obligations are as follows:

The Town accrues a liability for compensated absences on the statement of net position only since the amount payable is not anticipated to be paid with available resources. The liability for compensated absences will be paid from the General Fund.

Town Hall Capital Lease Obligation

In 2014, the Town entered into a lease agreement as lessee for financing the acquisition of a new town hall. The initial lease is for a 1-year term renewable in 1-year increments for 20 years. The interest rate on the lease is 4.67% per annum through February 1, 2019, then adjusting annually on each February 2 thereafter to an interest rate equal to the 5-year Treasury rate plus 3.32% at a floor rate of 4% and at a maximum rate of 10%. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the fair value of the leased properties based upon real estate valuations obtained. The capital assets and related accumulated depreciation of the leased property is \$515,000 and \$35,827, respectively.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

8. Long-Term Obligations (continued)

The Town's future minimum lease obligations related to the Town Hall lease will mature as follows (calculated at the current interest rate of 4.67%):

	Principal	Interest	Total
2018	18,970	20,867	39,837
2019	19,889	19,949	39,838
2020	20,796	19,042	39,838
2021	21,503	18,334	39,837
2022	22,564	17,273	39,837
2023-2027	130,661	68,527	199,188
2028-2032	166,236	32,952	199,188
2033-2034	48,748	1,600	50,348
	449,367	198,544	647,911

Water System Installment Contract Payments

By contract with the Colorado Water Conservation Board (the Board), the Town received \$219,000 of construction loan proceeds to build part of the water system. At completion of the project in 1984, the Town transferred title to 50% of the system to the Board, and the Town began payments to repurchase the 50% interest over a 40-year period. This transaction has been recorded as an installment loan of \$219,000, with interest added annually to equal the total payments to be made under the installment purchase contract.

The \$219,000 Colorado Water Conservation Board installment contract, dated September 15, 1983, is payable over 40 years in equal annual payments of \$9,517, with principal and interest calculated at 3.028%, due annually on December 15.

Drinking Water Revolving Fund Direct Loan

By contract with the Colorado Water Resources and Power Development Authority, the Town received \$2,000,000 of loan proceeds and \$847,920 in principal forgiveness to drill a new well, construct a new water storage tank, expand a pump station and replace an existing pump, iron and manganese removal system and pressure reducing valve.

The Drinking Water Revolving Fund Direct Loan contract was executed on January 17, 2014 and is payable over 30 years in equal interest-free semiannual payments of \$33,333 due May 1st and November 1st.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

8. Long-Term Obligations (continued)

The Town's long-term obligations related to the water loan and the Colorado water resource loan will mature as follows:

	Principal	Interest	Total
2018	74,390	1,793	76,183
2019	74,625	1,560	76,185
2020	74,866	1,319	76,185
2021	75,113	1,070	76,183
2022	75,370	815	76,185
2023-2027	351,534	831	352,365
2028-2032	333,333	-	333,333
2033-2037	333,333	-	333,333
2038-2042	333,333	-	333,333
2043-2044	133,334	-	133,334
	<u>\$1,859,231</u>	<u>\$ 7,388</u>	<u>\$1,866,619</u>

Water Treatment Plant Capital Lease Obligation

As noted above, the Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority (the "Authority") in 2014 to drill a new well, construct a new water storage tank, expand a pump station and replace an existing pump, iron and manganese removal system and pressure reducing valve. Under the terms of the agreement, the Authority has a lien on the revenues of the system. The agreement also stipulates that the Town may not sell, lease, abandon, or otherwise dispose of the system or any other system that provides revenue for payment of the loan agreement, unless the Authority shall determine that such activity will not adversely affect the Town's ability to meet its various duties and covenants as described in the loan agreement.

In May 2017, the Town, with the approval of the Authority, entered into a lease purchase agreement as lessee for financing the construction of a new water treatment plant. The initial lease is for a 1-year term renewable in 1-year increments for 20 years. The interest rate on the lease for the first five years of the lease is computed as 63% of the sum of the 5 year Constant Maturity Treasury Index (CMT) + 3.75%. As of the date of the lease closing the 5 year CMT is 1.78% and the initial rate is 3.48%. The interest rate shall be readjusted to reflect changes in the 5 year CMT on each fifth anniversary of the lease closing.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

8. Long-Term Obligations (continued)

Repayment of the lease for the first 18 months is interest only. Beginning November 2019, the outstanding lease balance will convert to amortized equal annual payments of principal and interest over an 18.5-year term, subject to interest rate adjustments.

This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the fair value of the leased properties based upon real estate valuations obtained. The leased property is currently reflected as a portion of the \$4,596,109 in the Business-Type Activities Construction in Progress (See Note 6).

The Town's future minimum lease obligations related to the Water Treatment Plan lease will mature as follows (calculated at the current interest rate of 3.48%):

	Principal	Interest	Total
2018	-	95,929	95,929
2019	116,368	104,650	221,018
2020	120,473	100,545	221,018
2021	124,724	96,294	221,018
2022	129,125	91,893	221,018
2023-2027	543,594	922,552	1,466,146
2028-2032	802,836	663,312	1,466,148
2033-2037	1,128,880	280,435	1,409,315
	2,966,000	2,355,610	5,321,610

Authorized Debt

On November 6, 2012, a majority of the qualified electors of the Town authorized the issuance of indebtedness in an amount not to exceed \$2,970,000, for the construction of a new water supply system.

9. Tax, Spending, Revenue and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

9. Tax, Spending, Revenue and Debt Limitations (continued)

Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2017, the Town has reserved \$60,039 for emergencies.

The Town's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

10. Commitments, Contingencies and Economic Dependency

For 2017, the Town derived approximately 58% of its gross tax revenues from sales taxes, admissions taxes and business licenses and permits from the Colorado Renaissance Festival (CRF). These taxes and licenses are used to provide the Town with general services and may be used to support the Town's utility funds. On July 16, 2015, the Town Council approved an amendment to the agreement with the CRF extending the agreement through 2025 with three three-year renewal options.

The Town has an obligation to perform sludge removal from its waste treatment facilities. Management believes it is less efficient and, therefore, more costly to perform this activity on an annual basis; therefore, the sludge removal process is performed at extended intervals ranging from three to as many as twelve years. Because this process results from the annual sludge build-up and its removal is a mandatory service for the general population of the Town, an annual charge to income is recognized for the prorated portion of the total estimated liability at the time of removal. The liability could change due to price increases, changes in technology, or other factors. The total estimated accrued sludge removal cost at December 31, 2017 is \$49,705.

The Town has entered into an agreement for services to be performed on the Town's water treatment plants, sewage treatment plants, water distribution and wastewater collection systems including wells, chlorinators, tanks and facilities. The Town has agreed to pay \$74,400 at a rate of \$6,200 per month for services provided to the Town starting January 1, 2018 through December 31, 2018.

On April 22, 2015, the Town entered into an agreement to purchase land owned by the American Federation of Human Rights (AFHR) for \$45,000. The Town will construct a water line on this easement. In addition, the Town entered into a five-year lease agreement with AFHR for land to use as an equipment and storage location. The lease calls for annual payments of \$6,000 on the last day of April.

Town of Larkspur, Colorado
Notes to Financial Statements (continued)
December 31, 2017

11. Risk Management

The Town is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past three years.

Town of Larkspur, Colorado

Required Supplementary Information

Town of Larkspur, Colorado

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 816,700	\$ 816,700	\$ 770,870	\$ (45,830)
Intergovernmental revenue	-	-	2,852	2,852
Licenses and permits	21,075	21,075	23,974	2,899
Interest	3,500	3,500	4,973	1,473
Parks and recreation revenue	10,100	10,100	9,327	(773)
Grant proceeds	<u>571,100</u>	<u>-</u>	<u>2,593</u>	<u>2,593</u>
Sale of capital assets	-	-	-	-
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,422,475</u>	<u>851,375</u>	<u>814,589</u>	<u>(36,786)</u>
EXPENDITURES				
General government	637,490	627,490	605,586	21,904
Capital expenditures	683,600	50,000	42,241	7,759
Public safety	29,721	29,721	34,230	(4,509)
Parks and recreation expenses	72,010	72,010	80,015	(8,005)
Debt service	<u>39,838</u>	<u>39,838</u>	<u>39,838</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,462,659</u>	<u>819,059</u>	<u>801,910</u>	<u>17,149</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(356,000)</u>	<u>(223,500)</u>	<u>(7,500)</u>	<u>216,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(396,184)	(191,184)	5,179	
FUND BALANCES, BEGINNING OF YEAR			<u>1,342,685</u>	
FUND BALANCES, END OF YEAR			<u>\$ 1,347,864</u>	

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

Town of Larkspur, Colorado

Road and Bridge Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 8,600	\$ 8,600	\$ -	\$ (8,600)
Intergovernmental revenue	45,445	45,445	61,241	15,796
Grant revenue	6,000	6,000	6,000	-
Licenses and permits	700	700	-	(700)
Interest	35	35	52	17
	Total Revenues	60,780	67,293	6,513
EXPENDITURES:				
Public works	59,765	36,765	30,482	6,283
Capital expenditures	175,000	24,000	22,617	1,383
	Total Expenditures	60,765	53,099	7,666
DEFICIENCY OF REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES				
	(173,985)	15	14,194	14,179
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	175,000	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	\$ 1,015	\$ 15	14,194	\$ 14,179
FUND BALANCE, BEGINNING OF YEAR			233,630	
FUND BALANCE, END OF YEAR			\$ 247,824	

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

Town of Larkspur, Colorado

Conservation Trust Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
Intergovernmental - State	\$ 2,000	\$ 2,000	\$ 1,902	\$ (98)
Interest	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,903</u>	<u>(97)</u>
EXPENDITURES:				
General Government	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(97)	<u>\$ (97)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>733</u>	
FUND BALANCE, END OF YEAR			<u>\$ 636</u>	

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

Town of Larkspur, Colorado

Notes to Budgetary Comparison Schedules

December 31, 2017

1. Budgets and Budgetary Accounting

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

- a. Prior to September 1, the Town obtains budget requests from department heads.
- b. Prior to October 15, the proposed budget is submitted to Town Council by the Mayor.
- c. By December 15, the Town must certify the levy to the County Commissioners.
- d. A Public Hearing is held to obtain taxpayer comments.
- e. By December 15, the Town Council enacts a resolution appropriating the budget.
- f. Department heads are required to submit budget change requests to the Town Council after initial approval.
- g. Supplemental requests are gathered by the Town Council. The Town Council will hold formal public hearings prior to approving the increased budget and appropriations.

2. Basis of Accounting

The budget is prepared using generally accepted accounting principles

3. Expenditures in Excess of Appropriations

None noted in the current year.

Town of Larkspur, Colorado

Other Supplementary Information

Town of Larkspur, Colorado

WATER AND SEWER FUND

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
REVENUES				
Charges for services	\$ 140,000	\$ 140,000	\$ 124,325	\$ (15,675)
TOTAL REVENUES	<u>140,000</u>	<u>140,000</u>	<u>124,325</u>	<u>(15,675)</u>
EXPENDITURES				
Professional services	70,800	98,800	100,466	(1,666)
Supplies	4,000	4,000	1,594	2,406
Personnel services	3,230	3,230	2,188	1,042
Maintenance and repairs	39,773	39,773	40,573	(800)
Utilities	56,000	56,000	39,756	16,244
Capital outlay	56,900	864,000	1,016,353	(152,353)
Miscellaneous	1,000	1,000	1,363	(363)
Testing	11,300	11,300	11,992	(692)
TOTAL EXPENDITURES	<u>243,003</u>	<u>1,078,103</u>	<u>1,214,285</u>	<u>(136,182)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES				
	(103,003)	(938,103)	(1,089,960)	(151,857)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	97,277	97,277	93,080	(4,197)
Capital grants and contributions	-	103,000	469,514	366,514
Tap fee revenue	39,500	39,500	819,200	779,700
Interest income	2,450	2,450	2,368	(82)
Loan closing costs	-	(50,000)	(50,056)	(56)
Operating transfers in (out)	176,500	223,500	7,500	(216,000)
Debt service				-
Principal	(74,163)	(74,163)	(74,164)	(1)
Interest	(136,720)	(62,720)	(63,066)	(346)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>104,844</u>	<u>278,844</u>	<u>1,204,376</u>	<u>925,532</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES (BUDGET BASIS)				
	<u>1,841</u>	<u>(659,259)</u>	<u>114,416</u>	<u>773,675</u>
RECONCILIATION FROM BUDGETARY BASIS TO GAAP BASIS				
Debt principal payments			74,164	
Capital outlay			1,016,353	
Depreciation and amortization			<u>(53,557)</u>	
NET POSITION, BEGINNING OF YEAR			<u>1,817,224</u>	
NET POSITION, END OF YEAR			<u>\$ 2,968,600</u>	

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

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

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Larkspur
		YEAR ENDING : December 2017
This Information From The Records Of Town of Larkspur.	Prepared By: Phone:	Michelle Wagner, Controller 303-681-2324

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	0
3. Other local imposts (from page 2)	49,779
4. Miscellaneous local receipts (from page 2)	52
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	49,831
B. Private Contributions	
C. Receipts from State government (from page 2)	10,416
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	60,247

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	22,617
2. Maintenance:	18,008
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	6,310
c. Other	
d. Total (a. through c.)	6,310
4. General administration & miscellaneous	
5. Highway law enforcement and safety	
6. Total (1 through 5)	46,935
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	46,935

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		60,247	46,935		13,312

Notes and Comments: