

TOWN OF NEDERLAND, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2016

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Honorable Mayor and Members of the Board of Trustees
Town of Nederland
Nederland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 25 and 26 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the Town of Nederland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Nederland's internal control over financial reporting and compliance.

John Luther & Associates, LLC

July 31, 2017

BASIC FINANCIAL STATEMENTS

TOWN OF NEDERLAND, COLORADO

STATEMENT OF NET POSITION

As of December 31, 2016

	BUSINESS		TOTALS	
	GOVERNMENTAL ACTIVITIES	TYPE ACTIVITIES	2016	2015
ASSETS				
Cash and Investments	\$ 406,833	\$ 807,942	\$ 1,214,775	\$ 2,069,722
Receivables				
Taxes	778,255	-	778,255	688,565
Grants	342,692	129,541	472,233	499,005
Accounts	-	199,182	199,182	174,637
Other	555,680	50,779	606,459	45,502
Inventories	-	10,760	10,760	10,760
Interfund Amounts	(412,815)	412,815	-	-
Capital Assets, Not Depreciated	3,329,296	771,752	4,101,048	1,441,579
Capital Assets, Depreciated				
Net of Accumulated Depreciation	3,389,822	8,073,248	11,463,070	11,292,880
TOTAL ASSETS	8,389,763	10,456,019	18,845,782	16,222,650
LIABILITIES				
Accounts Payable	690,031	419,549	1,109,580	182,648
Accrued Liabilities	25,682	2,437	28,119	83,169
Accrued Interest Payable	-	19,516	19,516	14,444
Deposits	44,635	-	44,635	38,828
Noncurrent Liabilities				
Due within One Year	107,812	296,774	404,586	396,667
Due in More Than One Year	605,584	4,571,876	5,177,460	5,582,641
TOTAL LIABILITIES	1,473,744	5,310,152	6,783,896	6,298,397
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	637,698	-	637,698	565,853
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,111,442	5,310,152	7,421,594	6,864,250
NET POSITION				
Net Investment in Capital Assets	6,005,722	4,013,637	10,019,359	6,794,955
Restricted for Downtown Development	293,808	-	293,808	184,331
Restricted for Emergencies	77,000	-	77,000	86,000
Restricted by Debt Covenant	-	185,000	185,000	185,000
Unrestricted	(98,209)	947,230	849,021	2,108,114
TOTAL NET POSITION	\$ 6,278,321	\$ 5,145,867	\$ 11,424,188	\$ 9,358,400

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

TOWN OF NEDERLAND, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 252,576	\$ 117,284	\$ 85,627	\$ 613,060
Administration and Finance	320,714	-	-	-
Municipal Court	14,009	-	-	-
Law Enforcement	581,431	63,147	47,729	-
Planning and Zoning	109,106	-	6,000	-
Highway and Streets	426,119	40,196	1,023,169	-
Parks and Recreation	355,799	102,474	-	83,052
Interest on Long Term Debt	24,752	-	-	-
Total Governmental Activities	2,084,506	323,101	1,162,525	696,112
Business-Type Activities				
Sewer	679,947	471,316	-	223,898
Water	594,913	448,905	-	74,020
Interest on Long-term Debt	72,635	-	-	-
Total Business-Type Activities	1,347,495	920,221	-	297,918
Total Primary Government	\$ 3,432,001	\$ 1,243,322	\$ 1,162,525	\$ 994,030

GENERAL REVENUES
Property Taxes
Specific Ownership Taxes
Sales and Use Taxes
Franchise Taxes
Interest
Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2016	2015
\$ 563,395	\$ -	\$ 563,395	\$ (130,750)
(320,714)	-	(320,714)	(297,738)
(14,009)	-	(14,009)	(11,183)
(470,555)	-	(470,555)	(363,715)
(103,106)	-	(103,106)	(107,503)
637,246	-	637,246	(497,805)
(170,273)	-	(170,273)	(184,169)
(24,752)	-	(24,752)	(25,325)
<u>97,232</u>	<u>-</u>	<u>97,232</u>	<u>(1,618,188)</u>
-	15,267	15,267	317,636
-	(71,988)	(71,988)	(108,955)
<u>-</u>	<u>(72,635)</u>	<u>(72,635)</u>	<u>(65,081)</u>
<u>-</u>	<u>(129,356)</u>	<u>(129,356)</u>	<u>143,600</u>
97,232	(129,356)	(32,124)	(1,474,588)
413,341	-	413,341	391,058
20,863	-	20,863	20,341
1,217,266	312,310	1,529,576	1,389,881
56,597	-	56,597	55,771
4,465	8,950	13,415	9,308
<u>56,225</u>	<u>7,895</u>	<u>64,120</u>	<u>102,528</u>
<u>1,768,757</u>	<u>329,155</u>	<u>2,097,912</u>	<u>1,968,887</u>
1,865,989	199,799	2,065,788	494,299
<u>4,412,332</u>	<u>4,946,068</u>	<u>9,358,400</u>	<u>8,864,101</u>
<u>\$ 6,278,321</u>	<u>\$ 5,145,867</u>	<u>\$ 11,424,188</u>	<u>\$ 9,358,400</u>

TOWN OF NEDERLAND, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	GENERAL FUND	COMMUNITY CENTER FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	
				2016	2015
ASSETS					
Cash and Investments	\$ 58,376	\$ 59,088	\$ 289,369	\$ 406,833	\$ 716,254
Property Taxes Receivable	515,558	38,178	224,519	778,255	688,565
Grants Receivable	279,287	-	63,405	342,692	173,251
Other Receivables	152,566	3,524	399,590	555,680	-
Due from Other Funds	139,546	29,262	142,012	310,820	1,702
TOTAL ASSETS	\$ 1,145,333	\$ 130,052	\$ 1,118,895	\$ 2,394,280	\$ 1,579,772
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 597,307	\$ 11,110	\$ 81,614	\$ 690,031	\$ 106,747
Accrued Liabilities	25,682	-	-	25,682	74,056
Due to Other Funds	-	-	518,695	518,695	1,702
Deposits	44,335	300	-	44,635	38,828
TOTAL LIABILITIES	667,324	11,410	600,309	1,279,043	221,333
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues - Property Taxes	413,622	-	224,076	637,698	565,853
FUND BALANCES					
Restricted for Emergencies	77,000	-	-	77,000	86,000
Restricted for Community Center	-	118,642	-	118,642	137,268
Restricted for Downtown Development	-	-	293,808	293,808	184,331
Restricted for Parks and Recreation	-	-	702	702	-
Unassigned	(12,613)	-	-	(12,613)	384,987
TOTAL FUND BALANCES	64,387	118,642	294,510	477,539	792,586
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,145,333	\$ 130,052	\$ 1,118,895		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	6,719,118	4,502,276
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include long term obligation of (\$673,695), interfund amounts of (\$204,940), and accrued compensated absences (\$39,701).	(918,336)	(882,530)
Net position of governmental activities	\$ 6,278,321	\$ 4,412,332

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

TOWN OF NEDERLAND, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	COMMUNITY			TOTAL	
	GENERAL FUND	CENTER FUND	NONMAJOR FUNDS	GOVERNMENTAL FUNDS	
				2016	2015
REVENUES					
Taxes	\$ 1,263,213	\$ 237,479	\$ 207,375	\$ 1,708,067	\$ 1,570,647
Licenses and Permits	117,284	-	-	117,284	115,952
Intergovernmental	1,162,525	66,350	629,762	1,858,637	391,662
Charges for Services	40,196	102,474	-	142,670	121,425
Fines and Forfeitures	63,147	-	-	63,147	73,897
Miscellaneous	55,476	749	-	56,225	71,373
Interest	3,869	-	596	4,465	2,004
TOTAL REVENUES	2,705,710	407,052	837,733	3,950,495	2,346,960
EXPENDITURES					
Current					
General Government	209,244	-	21,426	230,670	300,997
Administration and Finance	320,714	-	-	320,714	297,738
Municipal Court	14,009	-	-	14,009	11,183
Law Enforcement	575,974	-	-	575,974	489,349
Planning and Zoning	109,106	-	-	109,106	113,503
Highway and Streets	362,946	-	-	362,946	712,327
Parks and Recreation	-	223,523	-	223,523	191,175
Debt Service					
Principal	-	90,000	216,116	306,116	189,860
Interest	-	14,875	9,877	24,752	25,504
Capital Outlay	1,520,317	97,280	820,135	2,437,732	59,805
TOTAL EXPENDITURES	3,112,310	425,678	1,067,554	4,605,542	2,391,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(406,600)	(18,626)	(229,821)	(655,047)	(44,481)
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	340,000	340,000	-
Transfers In	-	-	-	-	1,702
Transfers Out	-	-	-	-	(1,702)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	340,000	340,000	-
NET CHANGE IN FUND BALANCES	(406,600)	(18,626)	110,179	(315,047)	(44,481)
FUND BALANCES, Beginning	470,987	137,268	184,331	792,586	837,067
FUND BALANCES, Ending	\$ 64,387	\$ 118,642	\$ 294,510	\$ 477,539	\$ 792,586

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

TOWN OF NEDERLAND, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (315,047)
Governmental funds report 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. This is the amount by which capital outlay \$2,437,732, exceeded depreciation (\$220,890) in the current period.	2,216,842
Debt proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(340,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include debt payments of \$306,116 and change in accrued compensated absences of (\$1,922).	<u>304,194</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,865,989</u></u>

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

TOWN OF NEDERLAND, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 As of December 31, 2016

ASSETS	SEWER	WATER	TOTALS	
			2016	2015
Current Assets				
Cash and Investments	\$ 307,052	\$ 500,890	\$ 807,942	\$ 1,353,468
Accounts Receivable	97,243	101,939	199,182	174,637
Grant Receivable	129,541	-	129,541	325,754
Other Receivables	25,390	25,389	50,779	45,502
Due from Other Funds	115,930	518,695	634,625	-
Inventories	-	10,760	10,760	10,760
Total Current Assets	675,156	1,157,673	1,832,829	1,910,121
Noncurrent Assets				
Advance to Downtown Development Authority	-	204,940	204,940	69,017
Capital Assets, net of accumulated depreciation	5,202,116	3,642,884	8,845,000	8,232,183
Total Noncurrent Assets	5,202,116	3,847,824	9,049,940	8,301,200
TOTAL ASSETS	5,877,272	5,005,497	10,882,769	10,211,321
LIABILITIES				
Current Liabilities				
Accounts Payable	260,526	159,023	419,549	75,901
Accrued Liabilities	-	2,437	2,437	9,113
Due to Other Funds	-	426,750	426,750	-
Accrued Interest Payable	13,041	6,475	19,516	14,444
Current Portion of Long-term Debt	187,810	108,964	296,774	294,628
Total Current Liabilities	461,377	703,649	1,165,026	394,086
Noncurrent Liabilities				
Loans Payable	2,901,792	1,632,797	4,534,589	4,831,363
Loan Premium	29,163	-	29,163	31,128
Compensated Absences	4,062	4,062	8,124	8,676
Total Noncurrent Liabilities	2,935,017	1,636,859	4,571,876	4,871,167
TOTAL LIABILITIES	3,396,394	2,340,508	5,736,902	5,265,253
NET POSITION				
Net Investment in Capital Assets	2,112,514	1,901,123	4,013,637	3,106,192
Restricted	100,000	85,000	185,000	185,000
Unreserved	268,364	678,866	947,230	1,654,876
TOTAL NET POSITION	\$ 2,480,878	\$ 2,664,989	\$ 5,145,867	\$ 4,946,068

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

TOWN OF NEDERLAND, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2016

	SEWER	WATER	TOTALS	
			2016	2015
OPERATING REVENUES				
Charges for Services	\$ 471,316	\$ 448,905	\$ 920,221	\$ 864,876
TOTAL OPERATING REVENUES	471,316	448,905	920,221	864,876
OPERATING EXPENSES				
Personnel	142,442	142,444	284,886	256,223
Operations	272,191	244,470	516,661	526,576
Depreciation	265,314	207,999	473,313	453,268
TOTAL OPERATING EXPENSES	679,947	594,913	1,274,860	1,236,067
OPERATING INCOME	(208,631)	(146,008)	(354,639)	(371,191)
NON-OPERATING REVENUES (EXPENSES)				
Sales and Use Taxes	156,155	156,155	312,310	286,404
Grants	174,456	-	174,456	380,759
Interest Income	635	8,315	8,950	7,304
Miscellaneous	-	7,895	7,895	39,669
Interest Expense	(36,195)	(36,440)	(72,635)	(65,081)
TOTAL NON-OPERATING REVENUES (EXPENSES)	295,051	135,925	430,976	649,055
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	86,420	(10,083)	76,337	277,864
Capital Contributions- Plant Investment Fees	49,442	74,020	123,462	199,113
CHANGE IN NET POSITION	135,862	63,937	199,799	476,977
NET POSITION, Beginning	2,345,016	2,601,052	4,946,068	4,469,091
NET POSITION, Ending	\$ 2,480,878	\$ 2,664,989	\$ 5,145,867	\$ 4,946,068

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

TOWN OF NEDERLAND, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES

Year Ended December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents

	SEWER	WATER	TOTALS	
			2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 466,015	\$ 427,023	\$ 893,038	\$ 963,954
Cash Paid to Employees	(147,376)	(144,738)	(292,114)	(253,726)
Cash Paid to Suppliers	(35,922)	(139,730)	(175,652)	(539,474)
Net Cash Provided by Operating Activities	<u>282,717</u>	<u>142,555</u>	<u>425,272</u>	<u>170,754</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sales Taxes Received	<u>156,155</u>	<u>156,155</u>	<u>312,310</u>	<u>286,404</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grants Received	370,669	-	370,669	55,005
Other Revenue Received	-	7,895	7,895	39,669
Capital Contributions	49,442	74,020	123,462	199,113
Purchase of Capital Assets	(454,899)	(631,231)	(1,086,130)	(395,273)
Payment Received from Downtown Development Authority	-	204,077	204,077	93,706
Loan Made to Downtown Development Authority	-	(340,000)	(340,000)	-
Payments (to) from Other Funds	(115,930)	(91,945)	(207,875)	-
Loan Payments	(187,810)	(106,818)	(294,628)	(292,523)
Interest Payments	(33,088)	(36,440)	(69,528)	(73,493)
Lease Payments	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(371,616)</u>	<u>(920,442)</u>	<u>(1,292,058)</u>	<u>(373,796)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	<u>635</u>	<u>8,315</u>	<u>8,950</u>	<u>7,304</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,891	(613,417)	(545,526)	90,666
CASH AND CASH EQUIVALENTS, Beginning	<u>239,161</u>	<u>1,114,307</u>	<u>1,353,468</u>	<u>1,262,802</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 307,052</u>	<u>\$ 500,890</u>	<u>\$ 807,942</u>	<u>\$ 1,353,468</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ (208,631)	\$ (146,008)	\$ (354,639)	\$ (371,191)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	265,314	207,999	473,313	453,268
Changes in Assets and Liabilities				
Accounts Receivable	(5,301)	(19,244)	(24,545)	113,179
Other Receivable	(2,639)	(2,638)	(5,277)	(28,202)
Prepaid Expenses	-	-	-	-
Accounts Payable	238,908	104,740	343,648	1,203
Retainage Payable	-	-	-	-
Accrued Liabilities	(4,658)	(2,018)	(6,676)	2,497
Accrued Compensated Absences	(276)	(276)	(552)	-
Total Adjustments	<u>491,348</u>	<u>288,563</u>	<u>779,911</u>	<u>541,945</u>
Net Cash Provided by Operating Activities	<u>\$ 282,717</u>	<u>\$ 142,555</u>	<u>\$ 425,272</u>	<u>\$ 170,754</u>

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

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Nederland, Colorado (the “Town”) was incorporated in 1874 and is governed by a Mayor and six-member council elected by the residents.

The accounting policies of the Town of Nederland, Colorado conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the Town of Nederland has considered the possibility of inclusion of additional entities in its basic 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’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based on the application of these criteria, the Town includes the following organization in its reporting entity:

Downtown Development Authority - The Nederland Downtown Development Authority (the Authority”) was established by the Town’s Board of Trustees to halt and prevent deterioration of property values within its district and to assist in the development and redevelopment of its district and to use its power to promote the general welfare of the district by use of its direct and supplemental powers. The Authority has a separate Board with members appointed by the Town’s Board of Trustees. Although the Authority is legally separate from the Town, the Authority’s primary revenue source, property taxes, can only be levied by the Town. The Authority is reported as a blended component unit of the Town.

Government-Wide and Fund Financial Statements

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

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Town reports the following major governmental funds:

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

The *Community Center Fund* accounts for the operations, capital improvements, and debt service for the Town's Community Center.

The Town reports the following major proprietary funds:

The *Sewer Fund* accounts for the financial activities associated with the provision of sewer services.

The *Water Fund* accounts for the financial activities associated with the provision of water services.

Cash and Investments

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Infrastructure assets used to support governmental activities, which include streets, bridges, sidewalks, drainage systems and trails, are excluded from the financial statements except for additions since January 1, 2004. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

Land Improvements	20 years
Building	40 years
Utility Plants	20-50 years
Machinery and Equipment	5-10 years
Vehicles	5-10 years

Compensated Absences

Employees of the Town are allowed to accumulate paid time off to a maximum of 216 hours. Upon retirement or separation from the Town, employees will be paid for any accumulated paid time off.

These compensated absences are recognized as current salary costs when earned in the proprietary funds and when paid in the governmental funds. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “Internal Amounts”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position and fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the Town on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Net Position

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. The Town considers amounts required by the debt covenant to be restricted.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. At December 31, 2016, the Town does not report any fund balances as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Emergency Reserves and amounts held by the Community Center Fund, Conservation Trust Fund, and the Downtown Development Authority as being restricted because their use is restricted by State Statute for declared emergencies, and for parks and recreation, and for urban renewal.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of December 31, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- In October, the Town staff submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- The Town Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- Budgets are legally adopted for all funds of the Town. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Trustees. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

State Compliance

At December 31, 2016 actual expenditures in the Downtown Development Authority fund exceeded budgeted amounts by \$606,671. This may be a violation of State statute.

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2016 follows:

Petty Cash	\$ 562
Cash Deposits	<u>1,214,213</u>
Total	<u>\$ 1,214,775</u>

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Cash and investments are reported in the financial statements as follows:

Governmental Activities	\$ 406,833
Business-type Activities	<u>807,942</u>
Total	<u>\$ 1,214,775</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the Town are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Town has no policy regarding custodial credit risk for deposits.

At December 31, 2016, the Town had deposits with financial institutions with a carrying amount of \$1,214,775. The bank balances with the financial institutions were \$1,268,934. Of these balances, \$500,000 was covered by federal depository insurance and \$768,934 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The Town has a formal investment policy that limits interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily with durations of no longer than five years, money market mutual funds, or similar investment pools.

TOWN OF NEDERLAND, COLORADO
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

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

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

The Town had no investments at December 31, 2016.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 is summarized below:

	<u>Balances</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/16</u>
Governmental Activities				
Capital Assets, not depreciated				
Land and Sites	\$ 692,805	\$ 9,000	\$ -	\$ 701,805
Construction in Process	<u>320,126</u>	<u>2,315,044</u>	<u>7,679</u>	<u>2,627,491</u>
Total Capital Assets, not depreciated	<u>1,012,931</u>	<u>2,324,044</u>	<u>7,679</u>	<u>3,329,296</u>
Capital Assets, depreciated				
Land Improvements	480,265	-	-	480,265
Infrastructure	1,193,013	-	-	1,193,013
Buildings	3,857,770	12,155	-	3,869,925
Transportation Equipment	216,404	5,000	-	221,404
Other Equipment	<u>510,467</u>	<u>104,212</u>	<u>-</u>	<u>614,679</u>
Total Capital Assets, depreciated	<u>6,257,919</u>	<u>121,367</u>	<u>-</u>	<u>6,379,286</u>

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2016</u>
Less Accumulated Depreciation				
Land Improvements	206,524	23,170	-	229,694
Infrastructure	500,173	48,590	-	548,763
Buildings	1,391,270	129,566	-	1,520,836
Transportation Equipment	174,041	14,981	-	189,022
Other Equipment	<u>496,566</u>	<u>4,583</u>	<u>-</u>	<u>501,149</u>
Total Accumulated Depreciation	<u>2,768,574</u>	<u>220,890</u>	<u>-</u>	<u>2,989,464</u>
Total Capital Assets, depreciated, Net	<u>3,489,345</u>	<u>(99,523)</u>	<u>-</u>	<u>3,389,822</u>
Governmental Activities, Capital Assets, Net	<u>\$ 4,502,276</u>	<u>\$ 2,224,521</u>	<u>\$ 7,679</u>	<u>\$ 6,719,118</u>

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

Governmental Activities

General Government	\$ 19,984
Law Enforcement	5,457
Highway and Streets	63,173
Community Center	128,421
Parks and Recreation	<u>3,855</u>
 Total	 <u>\$ 220,890</u>

	<u>Balances</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2016</u>
Business-Type Activities				
Capital Assets, not depreciated				
Land	\$ 11,436	\$ -	\$ -	\$ 11,436
Water Rights	35,000	-	-	35,000
Construction in Process	<u>382,212</u>	<u>644,330</u>	<u>301,226</u>	<u>725,316</u>
Total Capital Assets, not depreciated	<u>428,648</u>	<u>644,330</u>	<u>301,226</u>	<u>771,752</u>
Capital Assets, depreciated				
Plant and Infrastructure	10,300,242	723,442	-	11,023,684
Equipment	734,499	19,584	-	754,083
Transportation Equipment	<u>299,703</u>	<u>-</u>	<u>-</u>	<u>299,703</u>
Total Capital Assets, depreciated	<u>11,344,444</u>	<u>743,026</u>	<u>-</u>	<u>12,077,470</u>

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/16</u>
Less: Accumulated Depreciation				
Plant and Infrastructure	2,996,802	406,937	-	3,403,739
Equipment	308,809	54,379	-	363,188
Transportation Equipment	<u>225,298</u>	<u>11,997</u>	-	<u>237,295</u>
Total Accumulated Depreciation	<u>3,530,909</u>	<u>473,313</u>	-	<u>4,004,222</u>
Total Capital Assets, depreciated, Net	<u>7,803,535</u>	<u>269,713</u>	-	<u>8,073,248</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 8,232,183</u>	<u>\$ 914,043</u>	<u>\$ (301,226)</u>	<u>\$ 8,845,000</u>

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

Business-Type Activities

Sewer Fund	\$ 265,314
Water Fund	<u>207,999</u>
Total	<u>\$ 473,313</u>

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Advances to Other Funds

In 2012, the Water Fund loaned the Downtown Development Authority \$482,500. The balance is being repaid with monthly installments with interest accruing at the published prime rate, not to exceed 7% and not fall below 2.5%. During 2016, the Downtown Development Authority paid \$69,017 toward the balance. At December 31, 2016, the outstanding balance is \$0.

In 2016, the Water Fund loaned the Downtown Development Authority \$340,000. The balance is being repaid with monthly installments with interest accruing at a fixed rate of 3%. During 2016, the Downtown Development Authority paid \$135,060 toward the balance. At December 31, 2016, the outstanding balance is \$204,940.

TOWN OF NEDERLAND, COLORADO
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Due to and Due from Other Funds

The balances reported as Due to and Due from Other Funds are the result the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. It is anticipated that these amounts will clear after year end.

NOTE 6: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2016.

	Balance <u>12/31/2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2016</u>	Due In <u>One Year</u>
2013 General Obligation					
Refunding Bonds	\$ 710,000	\$ -	\$ 90,000	\$ 620,000	\$ 95,000
Land Purchase Note	65,734	-	12,039	53,695	12,812
Compensated Absences	<u>37,779</u>	<u>1,922</u>	<u>-</u>	<u>39,701</u>	<u>-</u>
Total	<u>\$ 813,513</u>	<u>\$ 1,922</u>	<u>\$ 102,039</u>	<u>\$ 713,396</u>	<u>\$ 107,812</u>

Accrued Compensated Absences are being paid from resources generated by the General Fund.

2013 General Obligation Refunding Bonds

In July 2013, the Town issued General Obligation Refunding Bonds in the amount of \$960,000 to refund the 2003 General Obligation Bonds. Interest accrues on the bonds at a rate of 2.095% per annum. Interest payments are due on June 1 and December 1. Principal payments are due on December 1, through 2022.

Land Purchase Note

During 2000, the Town entered into a loan agreement to purchase land for \$152,500. Quarterly principal and interest payments of \$4,000 are required through October, 2020, including interest accruing at 6.3%. All payments will be made from the Conservation Trust Fund.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 6: LONG-TERM DEBT (Continued)

Annual debt service requirements for the outstanding notes and bonds at December 31, 2016 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 107,812	\$ 16,177	\$ 123,989
2018	108,623	13,376	121,999
2019	114,485	10,523	125,008
2020	117,775	8,745	126,520
2021	110,000	4,714	114,714
2022	<u>115,000</u>	<u>2,409</u>	<u>117,409</u>
Total Debt Service Requirements	<u>\$ 673,695</u>	<u>\$ 55,944</u>	<u>\$ 769,639</u>

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2016:

	<u>Balance</u>			<u>Balance</u>	<u>Due In</u>
	<u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/16</u>	<u>One Year</u>
CWRPDA Loan – Water	\$ 1,848,579	\$ -	\$ 106,818	\$ 1,741,761	\$ 108,964
CWRPDA Loan – Sewer	3,277,412	-	187,810	3,089,602	187,810
CWRPDA Premium	31,128	-	1,965	29,163	-
Compensated Absences	<u>8,676</u>	<u>-</u>	<u>552</u>	<u>8,124</u>	<u>-</u>
Total	<u>\$ 5,165,795</u>	<u>\$ -</u>	<u>\$ 297,145</u>	<u>\$ 4,868,650</u>	<u>\$ 296,774</u>

CWRPDA Loan - Water

On January 30, 2009, the Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority (“CWRPDA”). Loan proceeds were used to finance the cost of upgrades and improvements to the Town’s water treatment facility. Payments of principal and interest are due semi-annually on May 1 and November 1, beginning on May 1, 2011, through November, 2030. Interest accrues at 2% per annum. This loan is payable from a 1% sales and use tax, and from revenues of the water utility system after deducting operation and maintenance expenses.

TOWN OF NEDERLAND, COLORADO
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016

NOTE 6: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

CWRPDA Loan - Sewer

In November 2011, the Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority (“CWRPDA”). Loan proceeds were used to finance the cost of upgrades and improvements to the Town’s wastewater treatment facility. Payments of principal and interest are due semi-annually, beginning on February 2012, through August, 2032. Interest accrues at an effective rate of 2.24% per annum on \$1,961,090, which is reported net of a discount of \$38,910. Interest does not accrue on the remaining \$2,000,000. This loan is payable from a 1% sales and use tax, and from revenues of the sewer utility system after deducting operation and maintenance expenses.

Future Debt Service Requirements

Annual debt service requirements for the outstanding bonds at December 31, 2016 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 296,774	\$ 65,721	\$ 362,495
2018	298,965	62,061	361,026
2019	301,199	59,106	360,305
2020	309,332	55,718	365,050
2021	311,657	52,346	364,003
2022-2026	1,594,831	212,379	1,807,210
2027-2031	1,557,379	112,389	1,669,768
2032	<u>161,226</u>	<u>4,906</u>	<u>166,132</u>
Total Debt Service Requirements	<u>\$ 4,831,363</u>	<u>\$ 624,626</u>	<u>\$ 5,455,989</u>

NOTE 7: EMPLOYEE PENSION PLAN

Deferred 457 Compensation Plan

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The Board of Trustees determines the Town’s contributions to the plan, currently a matching contribution up to a maximum of 4% of each employee’s salary. During the years ended December 31, 2016 and 2015, the Town contributed \$19,596 and \$25,349, respectively, to the plan. The plan is administered by the International City/County Management Association Retirement Corporation (ICMA-RC), and all plan assets are held in trust for the exclusive benefit of the participants.

TOWN OF NEDERLAND, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 5, 1996, voters within the Town approved the collection, retention and expenditure of the full revenues generated by the Town in 1996 and subsequent years for street improvement projects, capital projects, basic municipal services and/or lawful municipal purposes, notwithstanding the provisions of the Amendment.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$77,000 was recorded in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

In January 2017, the Town entered into a lease purchase agreement with Commerce Bank for the purchase of a new plow truck and sander in the amount of \$200,000. Payments of principal and interest are due semi-annually on July 6 and January 6, beginning on July 6, 2017, through January 2024. Interest accrues at a rate of 2.72% per annum.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NEDERLAND, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016			VARIANCE	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Taxes	\$ 1,181,624	\$ 1,201,014	\$ 1,263,213	\$ 62,199	\$ 1,180,467
Licenses and Permits	117,025	174,752	117,284	(57,468)	115,952
Intergovernmental	915,826	1,541,572	1,162,525	(379,047)	377,364
Charges for Services	31,500	41,258	40,196	(1,062)	22,680
Fines and Forfeitures	77,581	75,241	63,147	(12,094)	73,897
Miscellaneous	50,781	40,390	55,476	15,086	53,388
Interest	800	800	3,869	3,069	1,638
TOTAL REVENUES	2,375,137	3,075,027	2,705,710	(369,317)	1,825,386
EXPENDITURES					
Current					
General Government	224,915	232,261	209,244	23,017	267,445
Administration and Finance	281,402	315,840	320,714	(4,874)	297,738
Municipal Court	12,000	12,625	14,009	(1,384)	11,183
Law Enforcement	566,368	536,494	575,974	(39,480)	489,349
Planning and Zoning	125,606	110,763	109,106	1,657	113,503
Highway and Streets	408,491	367,411	362,946	4,465	712,327
Capital Outlay	1,122,000	2,142,513	1,520,317	622,196	-
TOTAL EXPENDITURES	2,740,782	3,717,907	3,112,310	605,597	1,891,545
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(365,645)	(642,880)	(406,600)	236,280	(66,159)
OTHER FINANCING SOURCES (USES)					
Transfers Out	(10,000)	(10,000)	-	10,000	(1,702)
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	(10,000)	-	10,000	(1,702)
NET CHANGE IN FUND BALANCE	(375,645)	(652,880)	(406,600)	246,280	(67,861)
FUND BALANCES	347,124	347,124	470,987	123,863	538,848
FUND BALANCES, Ending	\$ (28,521)	\$ (305,756)	\$ 64,387	\$ 370,143	\$ 470,987

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

COMMUNITY CENTER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Sales and Use Taxes	\$ 216,555	\$ 218,299	\$ 237,479	\$ 19,180	\$ 212,405
Intergovernmental	-	66,350	66,350	-	-
Charges for Services	175,426	163,881	102,474	(61,407)	98,745
Miscellaneous	521	678	749	71	17,985
TOTAL REVENUES	392,502	449,208	407,052	(42,156)	329,135
EXPENDITURES					
Community Center	247,989	213,099	223,523	(10,424)	191,175
Debt Service					
Principal	90,000	90,000	90,000	-	85,000
Interest	14,875	14,875	14,875	-	16,655
Capital Outlay	125,700	221,963	97,280	124,683	7,679
TOTAL EXPENDITURES	478,564	539,937	425,678	114,259	300,509
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(86,062)	(90,729)	(18,626)	72,103	28,626
FUND BALANCE, Beginning	48,907	48,907	137,268	88,361	108,642
FUND BALANCE, Ending	\$ (37,155)	\$ (41,822)	\$ 118,642	\$ 160,464	\$ 137,268

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND SCHEDULES

TOWN OF NEDERLAND, COLORADO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

December 31, 2016

	SPECIAL REVENUE		TOTALS	
	CONSERVATION TRUST FUND	DOWNTOWN DEVELOPMENT AUTHORITY	2016	2015
ASSETS				
Cash and Investments	\$ 702	\$ 288,667	\$ 289,369	\$ 193,560
Property Taxes Receivable	-	224,519	224,519	173,477
Grants Receivable	-	63,405	63,405	-
Other Receivables	-	399,590	399,590	-
Due from Other Funds		142,012	142,012	-
TOTAL ASSETS	\$ 702	\$ 1,118,193	\$ 1,118,895	\$ 367,037
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 81,614	\$ 81,614	\$ 7,527
Due to Other Funds	-	518,695	518,695	1,702
TOTAL LIABILITIES	-	600,309	600,309	9,229
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	-	224,076	224,076	173,477
FUND BALANCES				
Restricted	702	293,808	294,510	184,331
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 702	\$ 1,118,193	\$ 1,118,895	\$ 367,037

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2016

	SPECIAL REVENUE		TOTALS	
	CONSERVATION	DOWNTOWN	2016	2015
	TRUST FUND	DEVELOPMENT AUTHORITY		
REVENUES				
Taxes	\$ -	\$ 207,375	\$ 207,375	\$ 177,775
Intergovernmental	16,702	613,060	629,762	14,298
Miscellaneous	-	-	-	-
Interest	-	596	596	366
TOTAL REVENUES	16,702	821,031	837,733	192,439
EXPENDITURES				
General Government	-	21,426	21,426	33,552
Debt Service				
Principal	12,039	204,077	216,116	104,860
Interest	3,961	5,916	9,877	8,849
Capital Outlay	-	820,135	820,135	52,126
TOTAL EXPENDITURES	16,000	1,051,554	1,067,554	199,387
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	702	(230,523)	(229,821)	(6,948)
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	-	340,000	340,000	-
Transfers In	-	-	-	1,702
TOTAL OTHER FINANCING SOURCES (USES)	-	340,000	340,000	1,702
CHANGE IN FUND BALANCES	702	109,477	110,179	(5,246)
FUND BALANCES	-	184,331	184,331	189,577
FUND BALANCES, Ending	\$ 702	\$ 293,808	\$ 294,510	\$ 184,331

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

CONSERVATION TRUST FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016		VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Intergovernmental	\$ 16,000	\$ 16,702	\$ 702	\$ 14,298
TOTAL REVENUES	16,000	16,702	702	14,298
EXPENDITURES				
Parks and Recreation	16,000	16,000	-	16,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	702	702	(1,702)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	1,702
NET CHANGE IN FUND BALANCE	-	702	702	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ 702	\$ 702	\$ -

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

DOWNTOWN DEVELOPMENT AUTHORITY
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 174,978	\$ 204,972	\$ 207,375	\$ 2,403	\$ 177,775
Intergovernmental	-	121,220	613,060	491,840	-
Miscellaneous	-	-	-	-	-
Interest	400	522	596	74	366
TOTAL REVENUES	175,378	326,714	821,031	494,317	178,141
EXPENDITURES					
General Government	25,773	17,257	21,426	(4,169)	33,552
Debt Service					
Principal Payments	309,993	328,826	204,077	124,749	93,706
Interest Expense	-	-	5,916	(5,916)	4,003
Capital Outlay	-	98,800	820,135	(721,335)	52,126
TOTAL EXPENDITURES	335,766	444,883	1,051,554	(606,671)	183,387
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(160,388)	(118,169)	(230,523)	(112,354)	(5,246)
OTHER FINANCING SOURCES (USES)					
Proceeds from Loan	340,000	680,000	340,000	(340,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	340,000	680,000	340,000	(340,000)	-
NET CHANGE IN FUND BALANCE	179,612	561,831	109,477	(452,354)	(5,246)
FUND BALANCE, Beginning	189,183	189,183	184,331	(4,852)	189,577
FUND BALANCE, Ending	<u>\$ 368,795</u>	<u>\$ 751,014</u>	<u>\$ 293,808</u>	<u>\$ (457,206)</u>	<u>\$ 184,331</u>

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

SEWER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016				2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	
REVENUES					
Charges for Services	\$ 582,163	\$ 490,179	\$ 471,316	\$ (18,863)	\$ 460,089
Sales and Use Taxes	144,354	148,444	156,155	7,711	143,202
Grants	-	21,397	174,456	153,059	380,759
Interest	1,000	505	635	130	1,072
Plant Investment Fees	28,000	24,083	49,442	25,359	76,329
Miscellaneous	-	-	-	-	34,601
TOTAL REVENUES	<u>755,517</u>	<u>684,608</u>	<u>852,004</u>	<u>167,396</u>	<u>1,096,052</u>
EXPENDITURES					
Personnel	147,880	144,589	142,442	2,147	128,110
Operations	310,318	285,173	272,191	12,982	222,025
Capital Outlay	333,000	529,554	454,899	74,655	340,480
Debt Service					
Principal	187,810	187,810	187,810	-	187,810
Interest and Fiscal Charges	33,088	35,034	36,195	(1,161)	26,536
TOTAL EXPENDITURES	<u>1,012,096</u>	<u>1,182,160</u>	<u>1,093,537</u>	<u>88,623</u>	<u>904,961</u>
NET INCOME, Budget Basis	<u>\$ (256,579)</u>	<u>\$ (497,552)</u>	<u>(241,533)</u>	<u>\$ 256,019</u>	<u>191,091</u>
GAAP BASIS ADJUSTMENTS					
Depreciation Expense			(265,314)		(240,645)
Loan Principal Payments			187,810		187,810
Capital Outlay			454,899		331,719
NET INCOME, GAAP Basis			<u>135,862</u>		<u>469,975</u>
NET POSITION, Beginning			<u>2,345,016</u>		<u>1,875,041</u>
NET POSITION, Ending			<u>\$ 2,480,878</u>		<u>\$ 2,345,016</u>

See the accompanying independent auditors' report.

TOWN OF NEDERLAND, COLORADO

WATER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Charges for Services	\$ 418,918	\$ 443,020	\$ 448,905	\$ 5,885	\$ 404,787
Sales and Use Taxes	144,355	146,445	156,155	9,710	143,202
Grants	-	-	-	-	-
Interest	6,000	3,839	8,315	4,476	6,232
Plant Investment Fees	50,000	14,804	74,020	59,216	122,784
Miscellaneous	640	3,044	7,895	4,851	5,068
TOTAL REVENUES	619,913	611,152	695,290	84,138	682,073
EXPENDITURES					
Personnel	150,060	149,131	142,444	6,687	128,113
Operations	224,624	229,142	244,470	(15,328)	190,577
Capital Outlay	679,500	1,007,096	631,231	375,865	168,764
Debt Service				-	
Principal	106,818	106,818	106,818	-	104,713
Interest and Fiscal Charges	36,440	36,440	36,440	-	38,545
TOTAL EXPENDITURES	1,197,442	1,528,627	1,161,403	367,224	630,712
NET INCOME, Budget Basis	\$ (577,529)	\$ (917,475)	(466,113)	\$ 451,362	51,361
GAAP BASIS ADJUSTMENTS					
Depreciation Expense			(207,999)		(212,623)
Principal Payments on Long Term Debt			106,818		104,713
Capital Outlay			631,231		63,551
NET INCOME, GAAP Basis			63,937		7,002
NET POSITION, Beginning			2,601,052		2,594,050
NET POSITION, Ending			\$ 2,664,989		\$ 2,601,052

See the accompanying independent auditors' report.

COMPLIANCE



**JOHN CUTLER
& ASSOCIATES**

Honorable Mayor and Members of the Board of Trustees
Town of Nederland
Nederland, Colorado

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nederland, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Nederland's basic financial statements, and have issued our report thereon dated July 31, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

John Luttrell & Associates, LLC

July 31, 2017



**JOHN CUTLER
& ASSOCIATES**

Honorable Mayor and Members of the Board of Trustees
Town of Nederland
Nederland, Colorado

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

John Luttrell & Associates, LLC

July 31, 2017

TOWN OF NEDERLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies noted? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies noted? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

_____ yes x no

Identification of major program:

20.205 Highway Planning and Construction Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

TOWN OF NEDERLAND, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

	<u>Major Program ?</u>	<u>CDFA #</u>	<u>TOTAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through the Colorado Department of Transportation			
Highway Planning and Construction Grant	Yes	20.205	\$ 613,060
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through the Colorado Department of Public Safety's Division of Criminal Justice			
Edward Byrne Memorial Justice Assistance Grant	No	16.738	47,729
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Colorado Department of Public Safety's Division of Homeland Security			
Homeland Security Grant Program	No	97.067	<u>108,660</u>
Total Federal Financial Assistance			<u><u>\$ 769,449</u></u>

NOTES

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the audit requirements of Title 2 U.S. Code of Federal Regulations *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

2. There were no subrecipients in 2016.

3. The Town did not use the 10% de minimus cost rate.

See the accompanying independent auditors' report.

STATE COMPLIANCE

Calendar Year 2016

LOCAL HIGHWAY FINANCE REPORT

COUNTY/CITY:Nederland

II - RECEIPTS FOR ROAD AND STREET PURPOSES

A. Receipts from local sources

2. General Fund Appropriations:	\$	488,455.00
3. Other local imposts: <i>from A.3. Total' below)</i>	\$	20,863.00
4. Miscellaneous local receipts: <i>from A.4. Total' below)</i>	\$	20,285.00
5. Transfers from toll facilities	\$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	0.00
b. Bonds - Refunding Issues:	\$	0.00
c. Notes:	\$	0.00
SubTotal:	\$	<u>529,603.00</u>
B. Private Contributions	\$	0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

A.3. Other local imposts

a. Property Taxes and Assessments	\$	0.00
b. Other Local Imposts		
1. Sales Taxes:	\$	0.00
2. Infrastructure and Impact Fees:	\$	0.00
3. Liens:	\$	0.00
4. Licenses:	\$	0.00
5. Specific Ownership and/or Other:	\$	20,863.00
Total: <i>(a + b) carried to 'Other local imposts' above)</i>	\$	<u>20,863.00</u>

A.4. Miscellaneous local receipts

a. Interest on Investments:	\$	0.00
b. Traffic fines & Penalties:	\$	12,873.00
c. Parking Garage Fees:	\$	0.00
d. Parking Meter Fees:	\$	0.00
e. Sale of Surplus Property:	\$	0.00
f. Charges for Services:	\$	0.00
g. Other Misc. Receipts:	\$	7,412.00
h. Other:	\$	0.00
Total: <i>(a through h) carried to 'Misc local receipts' above)</i>	\$	<u>20,285.00</u>

C. Receipts from State Government

1. Highway User Taxes:	\$	53,879.00
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	87,065.00
d. Other:		
Comments: undefined	\$	0.00
e. Other:		
Comments: undefined	\$	0.00
Total: (1+3c,d,e)	\$	140,944.00

D. Receipts from Federal Government

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

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

1. Capital outlay: (from A.1.d. Total Capital Outlay below)	\$	0.00
2. Maintenance:	\$	230,473.00
3. Road and street services		
a. Traffic control operations:	\$	0.00
b. Snow and ice removal:	\$	52,751.00
c. Other:	\$	20,413.00
4. General administration & miscellaneous	\$	47,083.00
5. Highway law enforcement and safety	\$	319,827.00
Total: (A.1-5)	\$	670,547.00

B. Debt service on local obligations

B. Debt service on local obligations

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

C. Payments to State for Highways: \$ 0.00

D. Payments to Toll Facilities: \$ 0.00

Total Disbursements: (A+B+C+D) \$ 670,547.00

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

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

IV. LOCAL HIGHWAY DEBT STATUS

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

V - LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 0.00	\$ 670,547.00	\$ 670,547.00	\$ 0.00	\$ 0.00

Notes & Comments:
undefined

Date Submitted: 06/29/2017