

TOWN OF TIMNATH, COLORADO

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**TOWN OF TIMNATH
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YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Timnath, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Timnath (the Town) as of and for the year ended December 31, 2018, 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. 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 and each major fund of the Town of Timnath, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Fiscal Focus Partners, LLC

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through X and the budgetary comparison, pension, and OPEB information on pages 46 through 53 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 required supplementary 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's basic financial statements. The supplementary information on pages 55 through 57 and the local highway finance report on pages 59 and 60 (together, the information) are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
July 26, 2019

**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

The management of the Town of Timnath (the Town) offers the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2018.

Financial Highlights

- On a government-wide level, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$32,721,637 (net position) at the close of the fiscal year.
- The Town's governmental funds reported combined ending fund balances of \$41,206,353 at the close of the fiscal year. Of this amount, \$25,500 is nonspendable for prepaid expenses, \$27,026,882 is restricted for debt service, capital projects, conservation trust, grants, and emergencies, \$7,975,477 is committed for other capital improvements and working capital reserve, and \$6,178,494 is unassigned.
- Total net position increased by \$7,985,515 or 32.28%, mainly attributable to the increase in the Town's tax revenues and charges for services. The beginning net position was adjusted due to a prior period adjustment discussed in Note 18.
- Total cash and investments increased by \$29,500,095 or 202% from the prior year, mainly attributable to unspent project funds from borrowings of Certificates of Participation and a loan during 2018 that will be utilized for the construction of the new Town Center and various TDA capital projects, respectively.
- Tax revenues increased by \$2,139,695 or 16% from prior year.
- General Fund expenditures increased by \$1,762,681 as compared to the prior year. A significant portion of this increase was associated with increased personnel and general operating costs and increased debt payments compared to the previous year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplementary information and schedules in addition to the basic financial statements themselves.

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

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

**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Thus, revenues and the statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in the 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. Expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the Town that are principally to be supported by property taxes and sales taxes (governmental activities). The governmental activities of the Town include general government, municipal court, community development, public works, public safety, parks and recreation, and interest and related costs on long-term debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The three funds of the Town - General Fund, Grant Fund, and Timnath Development Authority (TDA) Fund (presented as a blended component unit) – are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town adopts annual appropriated budgets for the General Fund and Grant Fund, and the TDA adopts an annual appropriated budget for the Timnath Development Authority. A budgetary comparison schedule has been provided for each of these funds in the supplemental information to demonstrate compliance with these budgets.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-44 of this report.

Government-wide Financial Analysis

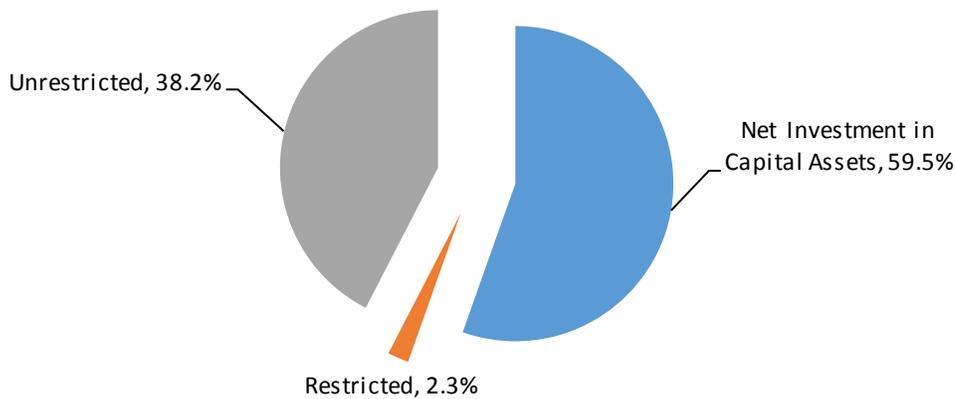
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets related to governmental activities exceeded liabilities by \$32,721,637 at the end of the year.

**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Net Position

	December 31,	
	2018	2017 (Restated)
Current Assets	\$ 51,165,492	\$ 21,164,035
Capital Assets	68,041,325	60,717,301
Total Assets	119,206,817	81,881,336
Deferred Outflow of Resources	491,169	754,855
Total Deferred Outflow of Resources	491,169	754,855
Current Liabilities	4,036,187	3,007,171
Noncurrent Liabilities	76,361,485	49,080,054
Total Liabilities	80,397,671	52,087,225
Deferred Inflow of Resources	6,578,678	5,812,844
Total Deferred Inflow of Resources	6,578,678	5,812,844
Net Investment in Capital Assets	19,457,418	13,779,184
Restricted	759,896	536,991
Unrestricted	12,504,322	10,419,947
Total Net Position	\$ 32,721,637	\$ 24,736,122

NET POSITION - BY CATEGORY



Net investment in capital assets comprises 59.5% of the Town's net position. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

An additional 2.3% of the Town's net position represents resources that are subject to restrictions as to how they can be used and are not currently available for the Town's ongoing obligations (e.g. emergency/TABOR reserve, conservation trust funds, grants debt service and capital projects). The remaining balance of the Town's net position 38.2% is unrestricted and may be used to meet the Town's future expenditures.

At the end of the fiscal year, the Town is able to report positive balances in all three categories of net position.

Change in Net Position

	December 31,	
	2018	2017
Revenue:		
Program Revenues:		
Charges for Services	\$ 5,696,149	\$ 3,577,566
Operating Grants and Contributions	251,376	201,570
Capital Grants and Contributions	254,855	230,116
General Revenues:		
Property Taxes	133,847	94,529
Sales Taxes	7,035,712	6,352,036
TIF and Other Taxes	8,109,417	6,692,716
Franchise Fees	188,785	172,985
Interest Income	301,924	133,853
Sale of Assets	111,651	-
Other Revenues	363,715	140,837
Total Revenues	22,447,431	17,596,208
Expenses:		
General Government	3,397,164	2,593,502
Municipal Court	17,037	17,436
Community Development	980,151	900,397
Public Safety	1,359,524	1,194,297
Public Works	6,019,934	5,447,678
Parks and Recreation	442,258	255,752
Interest and Related Costs on Long-Term Debt	2,245,848	2,204,157
Total Expenses	14,461,916	12,613,219
CHANGE IN NET POSITION	7,985,515	4,982,989
Net Position - Beginning of Year	24,736,122	19,885,115
NET POSITION - END OF YEAR	\$ 32,721,637	\$ 24,868,104 **

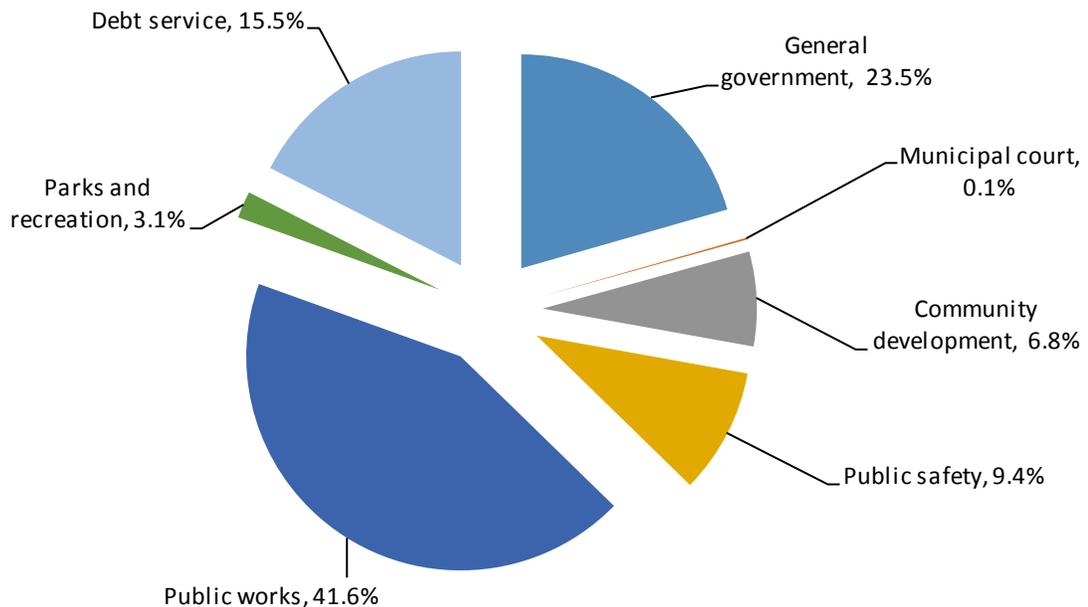
** 2017 has not been adjusted for the restatement of the December 31, 2017 net position described in Note 18.

**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

The Town's net position related to governmental activities increased by \$7,985,515 during the current fiscal year. Several key highlights of the statement of activities during 2018 are as follows:

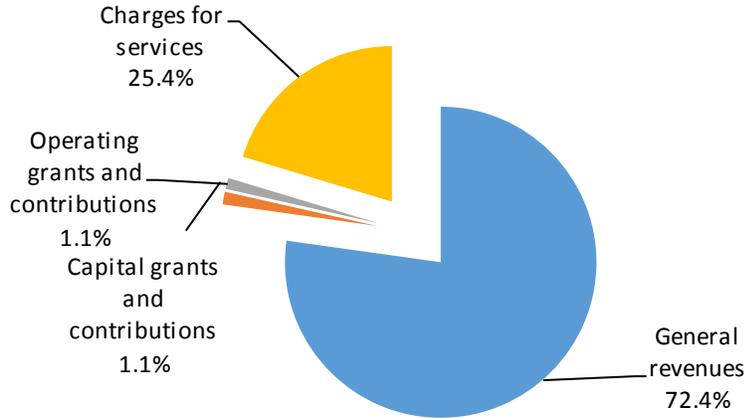
- 2018 charges for services increased by approximately 59% from the prior year. This increase was related to increases in impact and development fees received by the Town from residential and commercial development.
- 2018 operating and capital grants and contributions increased by 17% from the prior year. In 2017, the Town received \$431,686 in operating and capital grants and contributions. In 2018, the Town received \$506,231 in operating and capital grants and contributions.
- Property and sales taxes increased 42% and 11% respectively from the prior year.
- TIF and other taxes and franchise fees increased by approximately 21% and 9% respectively from the prior year. This was primarily due to new residential and commercial development.
- Interest income increased approximately 126% as compared to 2017 due to interest rate increases and increases in funds invested from unspent capital project fund borrowings.
- Total aggregate expenses for governmental activities increased by approximately 15% as compared to the prior year. The main factors contributing to this increase were increases in personnel and general operating costs and increased debt service payments in 2018 as compared to 2017.

EXPENSES - GOVERNMENTAL ACTIVITIES

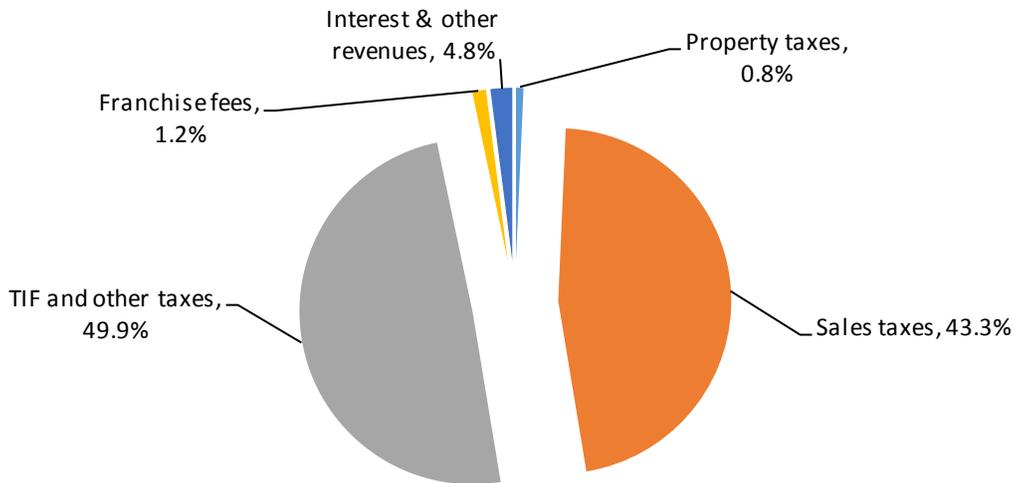


TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

REVENUES BY SOURCE -
GOVERNMENTAL ACTIVITIES



GENERAL REVENUES BY SOURCE -
GOVERNMENTAL ACTIVITIES



**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$41,206,353. Of this amount, \$6,178,494 constitutes unassigned fund balances, which are available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the committed and unassigned fund balance of the General Fund was \$14,153,971, out of a total fund balance of \$19,423,934 or 73%.

The fund balance of the Town's General Fund increased by \$8,765,862 during the current fiscal year.

At the end of the current fiscal year, the TDA Fund reported a fund balance of \$21,780,764, which is restricted for future debt service payments and capital improvement expenditures.

General Fund Budgetary Highlights

The Town prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets, and debt repayments, as well as capital outlay, in addition to operations and non-operating revenue and contributions. Capital contributions and depreciation are not reflected on the budget since they do not affect "funds available." This budgetary accounting is required by state statutes.

In the General Fund, the Town's total actual revenue was less than the budgeted revenue by \$7,879,660. This unfavorable variance was primarily due to the receipt of less intergovernmental TDA transfers due to capital projects being delayed.

In the General Fund, the Town's actual expenditures were less than the appropriation by \$12,495,678. This favorable variance was mainly due to the delay of capital projects related to infrastructure and widening of Harmony Road, Old Town and Parkway improvements and construction of the new Town Center.

Capital Assets

The Town reported \$68,041,325 in capital assets for its governmental-type activities for the year ended December 31, 2018. Additions during the year totaled \$9,583,216, primarily related to construction of roads and parks improvements.

Additional information on the Town's capital assets can be found in Note 6 on page 16 of this report.

**TOWN OF TIMNATH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Long-Term Debt

As of December 31, 2018, the Town and the TDA had outstanding debts totaling \$76,361,484. The majority of this debt are loans payable to Compass Bank which were issued in September 2015 and November 2018.

Additional information on the Town's and the TDA's long-term debt can be found in Note 7 on pages 17 thru 21 of this report.

Next Year's Budgets

The 2019 budget reflects the Town Council's endeavor for a fiscally responsible budget built on conservative revenue projections, necessary as well as discretionary expenditure levels, and required and reasonable reserves.

The Town has appropriated a total of \$38,265,410 for spending in fiscal year 2019. The Town's 2019 budget includes \$28,037,676 for capital projects including the widening of Harmony Road and construction of the new Town Center. The TDA has appropriated a total of \$28,171,859 for spending in fiscal year 2019. The TDA's 2019 budget includes \$6,321,375 for debt service and \$19,392,484 for intergovernmental transfers to the Town, of which \$16,375,000 relates to TDA capital project costs anticipated to be completed during 2019. The Town and TDA anticipate utilizing unspent revenues from the issuance of Certificates of Participation and additional TDA loan proceeds obtained in 2018, along with accumulated fund balances from previous years, to pay for these capital initiatives and on-going operational costs.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Timnath
4750 Signal Tree Drive
Timnath, CO 80547

BASIC FINANCIAL STATEMENTS

**TOWN OF TIMNATH
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 15,294,608
Cash and Investments - Restricted	28,795,101
Receivables:	
Taxes	699,412
Intergovernmental, Franchise and Other Receivable	141,057
Prepays	25,500
Property Taxes Receivable	6,209,814
Capital Assets, Not Being Depreciated	21,111,432
Capital Assets, Net of Accumulated Depreciation	46,929,893
Total Assets	119,206,817
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension/OPEB	491,169
Total Deferred Outflows of Resources	491,169
LIABILITIES	
Accounts Payable	2,356,668
Retainage Payable	157,107
Deposits	867,953
Deferred Consulting Fees	367,597
Accrued Interest Payable	286,862
Noncurrent Liabilities:	
Due Within One Year	4,503,390
Due in More Than One Year	71,858,094
Total Liabilities	80,397,671
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Revenue	6,209,814
Related to Pension/OPEB	368,864
Total Deferred Inflows of Resources	6,578,678
NET POSITION	
Net Investment in Capital Assets	19,457,418
Restricted for:	
Emergencies	194,000
Conservation Trust	126,905
Grants	1,655
Capital Projects	437,336
Unrestricted	12,504,322
Total Net Position	\$ 32,721,637

See accompanying Notes to Basic Financial Statements.

**TOWN OF TIMNATH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 3,397,164	\$ 36,398	\$ 25,105	\$ -	\$ (3,335,661)
Municipal Court	17,037	52,270	-	-	35,233
Community Development	980,151	801,415	-	-	(178,736)
Public Safety	1,359,524	266,179	8,848	-	(1,084,497)
Public Works	6,019,934	3,045,393	217,423	-	(2,757,118)
Parks and Recreation	442,258	1,494,494	-	254,855	1,307,091
Interest and Related Costs on Long-Term Debt	2,245,848	-	-	-	(2,245,848)
Total Governmental Activities	<u>\$ 14,461,916</u>	<u>\$ 5,696,149</u>	<u>\$ 251,376</u>	<u>\$ 254,855</u>	<u>(8,259,536)</u>
GENERAL REVENUES					
Property Taxes					133,847
Sales Taxes					7,035,712
TIF Property Taxes					5,691,889
Other Taxes					2,417,528
Franchise Fees					188,785
Net Investment Income					301,924
Proceeds Sale of Land					111,651
Other Revenues					363,715
Total General Revenues					<u>16,245,051</u>
CHANGE IN NET POSITION					
					7,985,515
Net Position - Beginning of Year, Restated					<u>24,736,122</u>
NET POSITION - END OF YEAR					<u>\$ 32,721,637</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF TIMNATH
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Grants	Timnath Development Authority	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 15,294,608	\$ -	\$ -	\$ 15,294,608
Cash and Investments - Restricted	6,190,177	1,655	22,603,269	28,795,101
Receivables:				
Taxes	699,412	-	-	699,412
Intergovernmental, Franchise and Other Receivable	129,417	-	11,640	141,057
Property Tax Receivable	152,955	-	6,056,859	6,209,814
Due from Other Funds	233,758	-	-	233,758
Prepays	25,500	-	-	25,500
	<u>22,725,827</u>	<u>1,655</u>	<u>28,671,768</u>	<u>51,399,250</u>
Total Assets	\$ 22,725,827	\$ 1,655	\$ 28,671,768	\$ 51,399,250
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,756,281	\$ -	\$ 600,387	\$ 2,356,668
Retainage Payable	157,107	-	-	157,107
Deposits	867,953	-	-	867,953
Deferred Consulting Fees	367,597	-	-	367,597
Due to Other Funds	-	-	233,758	233,758
	<u>3,148,938</u>	<u>-</u>	<u>834,145</u>	<u>3,983,083</u>
Total Liabilities	3,148,938	-	834,145	3,983,083
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	152,955	-	6,056,859	6,209,814
	<u>152,955</u>	<u>-</u>	<u>6,056,859</u>	<u>6,209,814</u>
Total Deferred Inflows of Resources	152,955	-	6,056,859	6,209,814
FUND BALANCES				
Nonspendable	25,500	-	-	25,500
Restricted	5,244,463	1,655	21,780,764	27,026,882
Committed	7,975,477	-	-	7,975,477
Unassigned	6,178,494	-	-	6,178,494
	<u>19,423,934</u>	<u>1,655</u>	<u>21,780,764</u>	<u>41,206,353</u>
Total Fund Balances	19,423,934	1,655	21,780,764	41,206,353
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,725,827	\$ 1,655	\$ 28,671,768	\$ 51,399,250

See accompanying Notes to Basic Financial Statements.

**TOWN OF TIMNATH
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balance - Governmental Funds \$ 41,206,353

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

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

Capital Assets, Not Being Depreciated	21,111,432
Capital Assets, Net of Accumulated Depreciation	46,929,893

Deferred outflows of resources used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Related to Pension	455,500
Related to OPEB	35,669

Deferred inflows of resources used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Related to Pension	(366,007)
Related to OPEB	(2,857)

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued Interest Payable	(286,862)
Notes Payable - Compass Bank	(63,345,000)
Certificates of Participation	(9,120,000)
Promissory Notes - Hartford	(1,675,437)
Capital Lease - Police Vehicles	(102,112)
Compensated Absences	(65,167)
Net Pension Liability	(1,882,987)
OPEB	(170,781)

Net Position of Governmental Activities	\$ 32,721,637
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**TOWN OF TIMNATH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Grants	Timnath Development Authority	Total Governmental Funds
REVENUES				
Taxes	\$ 4,358,466	\$ -	\$ 10,920,510	\$ 15,278,976
Intergovernmental:				
Town/TDA	3,989,386	-	-	3,989,386
Other	497,383	-	-	497,383
Licenses, Fees and Charges	5,643,878	-	-	5,643,878
Franchise Fees	188,785	-	-	188,785
Fines and Forfeitures	52,270	-	-	52,270
Net Investment Income	257,745	-	44,179	301,924
Other Revenues	163,715	-	-	163,715
Grants	-	8,848	-	8,848
Total Revenues	<u>15,151,628</u>	<u>8,848</u>	<u>10,964,689</u>	<u>26,125,165</u>
EXPENDITURES				
General and Operating:				
General Government	2,805,982	-	164,186	2,970,168
Municipal Court	17,037	-	-	17,037
Community Development	976,506	-	-	976,506
Public Safety	1,056,215	-	-	1,056,215
Public Works	1,669,341	-	-	1,669,341
Parks and Recreation	298,096	-	-	298,096
Debt Service:				
Principal	582,379	-	2,705,000	3,287,379
Interest	190,265	-	2,084,377	2,274,642
Loan Issuance Costs	-	-	175,000	175,000
Capital Outlay:				
Parks and Recreation Improvements	409,150	-	-	409,150
Infrastructure Improvements	1,291,750	-	-	1,291,750
Building and Equipment	4,280,165	-	-	4,280,165
Stormwater Improvements	-	-	297,851	297,851
Land and Property Acquisition	2,047,724	-	-	2,047,724
Developer Shareback Incentive	-	-	1,775,334	1,775,334
Intergovernmental - Town/TDA	-	-	3,989,386	3,989,386
Total Expenditures	<u>15,624,610</u>	<u>-</u>	<u>11,191,134</u>	<u>26,815,744</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(472,982)	8,848	(226,445)	(690,579)
OTHER FINANCING SOURCES (USES)				
Certificates of Participation Proceeds	9,120,000	-	-	9,120,000
Loan Issuance	-	-	20,000,000	20,000,000
Proceeds Sale of Land	111,651	-	-	111,651
Transfers In (Out)	7,193	(7,193)	-	-
Total Other Financing Sources (Uses)	<u>9,238,844</u>	<u>(7,193)</u>	<u>20,000,000</u>	<u>29,231,651</u>
NET CHANGE IN FUND BALANCES	8,765,862	1,655	19,773,555	28,541,072
Fund Balances - Beginning of Year	<u>10,658,072</u>	<u>-</u>	<u>2,007,209</u>	<u>12,665,281</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 19,423,934</u>	<u>\$ 1,655</u>	<u>\$ 21,780,764</u>	<u>\$ 41,206,353</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF TIMNATH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds \$ 28,541,072

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

Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as expenditures; such costs are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	9,583,216
Depreciation	(2,259,192)

The issuance of long-term debt (e.g. bonds, note payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Compass Bank Loan Issuance	(20,000,000)
Certificates of Participation Issuance	(9,120,000)
Promissory Notes - Hartford Investment	(1,675,437)
New Capital Lease - Police Vehicles	(58,105)
Payment of Principal - Capital Leases	61,731
Payment of Principal - DOLA Loan	582,379
Payment of Principal - Compass Bank Loan	2,705,000
Debt Cancellation - Developer Agency Bonds	200,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated Absences - Change in Liability	(4,419)
Accrued Interest Payable - Change in Liability	28,794
Pension Related - Net Expense	(593,537)
OPEB Related - Net Expense	(5,987)

Change in Net Position of Governmental Activities \$ 7,985,515

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

The Town of Timnath, Colorado (Town) was incorporated on June 29, 1920. The electorate voted to become a home rule municipality on November 7, 2006, under the provisions of Article XX of the Constitution of the state of Colorado. The Town operates under a Council Manager form of government and provides the following services as authorized by its charter: public safety, public works, parks and recreation and general government activities including administration, finance, and municipal court.

The Town follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

As required by generally accepted accounting principles (GAAP), these financial statements present the Town (the primary government) and its blended component unit.

The Timnath Development Authority (the TDA) was established in 2004 under the Colorado Revised Statutes for the purpose of curing blighted areas within the Town and its growth management areas. The Town Council serves as the governing board of the TDA. The TDA is presented as a blended component unit because the governing board and the Town Council are the same, and the TDA derives a financial benefit from the Town. The TDA does not issue separate financial statements.

The Town is not a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Town are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report all of the activities of the Town and its component units. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes, sales taxes, and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the Town. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within a reasonable period (typically within 60 days) following the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, sales taxes, interest income, and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures, other than interest on long-term obligations, are generally recorded when a liability is incurred.

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 general government except those required to be accounted for in another fund.

The Grants Fund accounts for grants received by the Town intended to be used for specific projects.

The Timnath Development Authority Fund accounts for tax increment revenues received within the TDA boundaries to be used for urban renewal projects and/or related project indebtedness.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the Town Council holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The Town Council can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The Town has amended its annual General, Grants, and Timnath Development Authority Fund budgets for the year ended December 31, 2018.

Pooled Cash and Investments

The Town follows the practice of pooling cash and investments of all funds to maximize interest earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

The Town reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

Property Taxes

Property taxes are levied by the Town Council. The levy is based on assessed valuations determined by Larimer County Assessor generally as of January of each year. The levy is set by December 15 by certification to the Larimer County Commissioners to put the tax lien on the property as of January 1 of the following year. Larimer County bills and collects taxes for the Town. At the option of the taxpayer, property taxes may be paid in either one installment on April 30, or two installments on February 28 and June 15. The County remits the taxes collected monthly to the Town. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, including infrastructure assets (e.g., roads, bridges, sidewalk), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings and Improvements	25 – 75 years
Infrastructure (Roads, etc.)	15 – 25 years
Parks and Recreation	15 – 25 years
Art	25 years
Machinery and Equipment	5 – 10 years
Computers and Software	5 years
Vehicles	5 – 15 years

Compensated Absences

Employees are permitted to accumulate earned but unused vacation pay benefits. The maximum vacation leave hours that an employee may accumulate or receive upon separation of service is limited by Town policy. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Town's General Fund is used to liquidate compensated absences of the governmental activities.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as noncurrent liabilities in the governmental activities column of the government-wide statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Town has two items that qualify for reporting in this category. Accordingly, the items, which are all related to pensions and OPEB and are reflected in the statement of net position, are deferred and recognized as outflows of resources in the period that the amounts are incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualify for reporting in this category. Accordingly, these items, property taxes revenue, pension and OPEB related items, are deferred and recognized as inflows of resources in the period that the amounts become available.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes, 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.

Fund Balance

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 be 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 specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, Town Council. The constraint may be removed or changed only through formal action of 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. Intent is expressed by the Town Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the Town's practice to use the most restrictive classification first.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position, have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 15,294,608
Cash and Investments - Restricted	28,795,101
Total Cash and Investments	<u>\$ 44,089,709</u>

Cash and Investments as of December 31, 2018, consist of the following:

Cash on Hand	\$ 350
Cash and Deposits with Financial Institutions	28,935,267
Investments	15,154,092
Total Cash and Investments	<u>\$ 44,089,709</u>

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.

At December 31, 2018, the Town's cash deposits had a bank balance of \$29,153,261 and a carrying balance of \$28,935,267.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The Town has adopted a formal investment policy. 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 or investment custodial risk disclosure requirements 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.

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

As of December 31, 2018, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 15,154,092</u>

COLOTRUST

The Town invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

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. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the Town records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 FUND BALANCE

The specific purpose for each fund balance classification on the balance sheet is detailed in the table below:

	General Fund	Grants Fund	Timnath Development Authority	Total
FUND BALANCES				
Nonspendable for:				
Prepays	\$ 25,500	\$ -	\$ -	\$ 25,500
Restricted for:				
Emergencies (TABOR Reserve)	194,000	-	-	194,000
Conservation Trust	126,905	-	-	126,905
Public Safety Grant	-	1,655	-	1,655
Capital Projects	4,923,558	-	20,272,157	25,195,715
Debt Service	-	-	1,508,607	1,508,607
Total	5,244,463	1,655	21,780,764	27,026,882
Committed for:				
Streets, Public Safety, Parks, School, Storm Sewer and Other Improvements (Impact Fees and In-Lieu Fees)	6,842,277	-	-	6,842,277
Working Capital Reserve - 16.7% of Operating Expenditures	1,133,200	-	-	1,133,200
Total	7,975,477	-	-	7,975,477
Unassigned:				
General Government	6,178,494	-	-	6,178,494
Total Fund Balances	\$ 19,423,934	\$ 1,655	\$ 21,780,764	\$ 41,206,353

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following schedule summarizes the Town's interfund balances as of December 31, 2018:

	Receivables	Payables	Net
General Fund	\$ 233,758	\$ -	\$ 233,758
Timnath Development Authority (TDA)	-	233,758	(233,758)

The TDA owes the General Fund \$233,758 related to funds needed to pay for TDA contracted capital costs and developer shareback incentives.

The following schedule summarizes the Town's transfers for the year ended December 31, 2018:

	Transfers in General Fund
Transfers Out:	
Grants Fund	\$ 7,193
Total	\$ 7,193

The transfer of \$7,193 from the Grants Fund to the General Fund represents funds from grants used to fund certain public safety costs.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 CAPITAL ASSETS

The following is an analysis of the changes in the Town's capital assets for the year ended December 31, 2018:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Capital Assets, Not Being Depreciated:				
Land	\$ 8,351,736	\$ 3,413,416	\$ -	\$ 11,765,152
Construction in Progress	10,816,285	5,529,772	(6,999,777)	9,346,280
Total Capital Assets, Not Being Depreciated	19,168,021	8,943,188	(6,999,777)	21,111,432
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,093,276	309,744	-	2,403,020
Infrastructure (roads, etc.)	47,037,422	1,457,672	-	48,495,094
Parks and Recreation	2,111,918	5,687,941	-	7,799,859
Art	100,121	-	-	100,121
Machinery and Equipment	516,281	100,653	-	616,934
Computers and Software	124,226	25,690	-	149,916
Vehicles	646,298	58,105	-	704,403
Total Capital Assets, Being Depreciated	52,629,542	7,639,805	-	60,269,347
Less Accumulated Depreciation for:				
Buildings and Improvements	(259,746)	(53,877)	-	(313,623)
Infrastructure (Roads, etc.)	(10,057,063)	(1,928,525)	-	(11,985,588)
Parks and Recreation	(172,868)	(111,378)	-	(284,246)
Art	(37,046)	(4,005)	-	(41,051)
Machinery and Equipment	(146,144)	(61,002)	-	(207,146)
Computers and Software	(105,759)	(8,095)	-	(113,854)
Vehicles	(301,636)	(92,310)	-	(393,946)
Total Accumulated Depreciation	(11,080,262)	(2,259,192)	-	(13,339,454)
Total Capital Assets Being Depreciated, Net	41,549,280	5,380,613	-	46,929,893
Governmental Activities Capital Assets, Net	<u>\$ 60,717,301</u>	<u>\$ 14,323,801</u>	<u>\$ (6,999,777)</u>	<u>\$ 68,041,325</u>

Depreciation expense for 2018 was charged to the following functions/programs:

General Government	\$ 63,226
Public Safety	76,904
Parks and Recreation	113,307
Public Works	2,005,755
Total Depreciation Expense	<u>\$ 2,259,192</u>

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the Town's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017 <u>As Restated</u>	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
<u>Governmental Activities:</u>					
Town:					
Capital Lease - Police Vehicles	\$ 71,738	\$ -	\$ (35,870)	\$ 35,868	\$ 35,868
Capital Lease - Police Vehicle	34,000	-	(11,334)	22,666	11,333
Capital Lease - Police Vehicle	-	58,105	(14,527)	43,578	14,526
Note Payable - DOLA	582,379	-	(582,379)	-	-
Certificates of Participation	-	9,120,000	-	9,120,000	574,900
Promissory Note - Hartford	-	692,845	-	692,845	230,948
Promissory Note - Hartford	-	982,592	-	982,592	245,648
Compensated absences	60,748	4,419	-	65,167	65,167
Net Pension Liability	1,938,325	-	(55,338)	1,882,987	-
OPEB	142,864	27,917	-	170,781	-
Total Town	<u>2,830,054</u>	<u>10,885,878</u>	<u>(699,448)</u>	<u>13,016,484</u>	<u>1,178,390</u>
Timnath Development Authority:					
Agency Bonds - Developers	200,000	-	(200,000)	-	-
Note Payable - Compass	46,050,000	-	(2,705,000)	43,345,000	3,125,000
Note Payable - Compass	-	20,000,000	-	20,000,000	200,000
Total TDA	<u>46,250,000</u>	<u>20,000,000</u>	<u>(2,905,000)</u>	<u>63,345,000</u>	<u>3,325,000</u>
Total	<u>\$ 49,080,054</u>	<u>\$ 30,885,878</u>	<u>\$ (3,604,448)</u>	<u>\$ 76,361,484</u>	<u>\$ 4,503,390</u>

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

Capital Lease – Police Vehicles: On April 14, 2016, the Town entered into a capital lease agreement with Ford Motor Credit Company LLC to acquire three (3) police vehicles. The lease bears an annual interest rate of 5.95%, and requires an annual payment of \$35,868 starting on April 14, 2016 and last payment on April 14, 2019. The vehicles are carried at \$143,474 with \$76,520 in accumulated depreciation as of December 31, 2018.

Capital Lease – Police Vehicle: On May 1, 2017, the Town entered into a capital lease agreement with Ford Motor Credit Company LLC to acquire one (1) police vehicle. The lease bears an annual interest rate of 5.95%, and requires an annual payment of \$11,333 starting on May 1, 2017 and last payment on May 1, 2020. The vehicle is carried at \$45,334 with \$14,356 in accumulated depreciation as of December 31, 2018.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Capital Lease – Police Vehicle: On October 11, 2018, the Town entered into a capital lease agreement with GM Financial to acquire one (1) police vehicle. The lease bears an annual interest rate of 5.944%, and requires an annual payment of \$14,526 starting October 11, 2018 and last payment on October 11, 2021. The vehicle is carried at \$58,105 with \$1,937 in accumulated depreciation as of December 31, 2018.

Certificates of Participation: On July 17, 2018, the Town issued Certificates of Participation (the Certificates) totaling \$9,120,000 for construction of the new Town Center at an interest rate of 4.89% payable semi-annually on June 1 and December 1 commencing December 1, 2018. Principal related payments on the Certificates are due beginning December 1, 2019. The Certificates mature on December 1, 2030. Principal and interest payments are subject to annual appropriation.

Note Payable – DOLA: In 2009, the Town borrowed \$900,000 from the State of Colorado, Department of Local Affairs (DOLA) for the construction of sanitary sewer line to connect homes to the sewer system. The note payable carries an annual interest rate of 5%, with annual payments of \$70,112 due through September 2028. The loan was paid in full in July, 2018.

Compensated Absences: Town employees' accrued vacation liability as of December 31, 2018, totaled \$65,167. See Note 2 for additional information.

Net Pension Liability: See Note 10 for information.

Other Postemployment Benefits (OPEB) Liability: See Note 11 for information.

Agency Bonds – Developers: In 2005, the TDA issued agency bonds totaling \$375,000 to various Developers to pay for certain expenditures including but not limited to renting of property and development of plans, maps, plats, appraisals and studies for the purpose of carrying out the TDA's Plan. The notes are interest-free for one year from issuance, then 6% per annum thereafter. During 2014, \$125,000 agency bonds were cancelled and removed from the Town's books. In 2018, \$200,000 agency bonds were cancelled and removed from the Town's books.

Notes Payable – Compass Bank: On April 1, 2011, the TDA entered into a loan agreement and promissory note (2011 Note) with Compass Mortgage Corporation to borrow \$24,500,000 for the purpose of refunding its Variable Rate Tax Increment Revenue Bonds, Series 2007 (Refunded Bonds), fund a debt service reserve fund, and to pay the costs of issuance. The 2011 Note is a special revenue obligation payable from and secured by pledged property tax revenue, pledged sales tax revenue, and investment earnings on the funds in accounts established and administered by Compass Bank.

On February 10, 2012, the TDA and Compass Bank amended the loan agreement and 2011 Note to loan the TDA up to a maximum of \$2,400,000. The purpose of the amendment is to provide additional funding for certain costs identified for urban renewal capital projects.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

On February 26, 2014, the TDA refinanced its 2011 Note (as amended in 2012) and entered into an Amended and Restated Loan Agreement with Compass Mortgage Corporation (2014 Note). The 2014 Note has a principal amount of \$36,725,000 with a fixed interest rate of 3.85% through December 1, 2018, paid semi-annually on June 1 and December 1, and a variable rate thereafter computed as the sum of 65% of 30-day LIBOR plus a margin not to exceed 2.25%, provided that it cannot be less than 4.50% per annum. The 2014 Note matures on December 1, 2020. A balloon payment of \$25,850,000 is due at maturity.

On September 29, 2015, the TDA refinanced its 2014 Note (the 2015 Note). The 2015 Note has a principal amount of \$50,000,000 with a fixed interest rate of 4.44% paid semi-annually on June 1 and December 1. The 2015 Note matures on December 1, 2029. The purposes of the 2015 Note were as follows: a) refunding of prior loan; b) funding of TDA capital projects; c) funding of Debt Service Reserve; and d) paying costs of issuance.

On November 20, 2018 the TDA issued a \$20,000,000 loan with Compass Mortgage Corporation (the 2018 Loan). The 2018 Loan has a fixed interest rate of 4.99% paid semi-annually on June 1 and December 1. The 2018 Loan matures on December 1, 2029. The purposes of the 2018 Loan were as follows: (a) funding of TDA capital projects; and (b) paying costs of issuance.

Promissory Notes – Hartford Investment, LLC: On January 18, 2018, the Town entered into a promissory note (Note 1) with Hartford Investment, LLC to borrow \$692,845 for the acquisition of certain property. Note 1 is payable in various annual amounts starting in January, 2019 and continuing through January, 2021 and is secured by a first lien deed of trust on the property. The annual payments bear interest at a rate of 5.0% and are subject to annual appropriation.

On December 19, 2018, The Town entered into a promissory note (Note 2) with Hartford Investment, LLC to borrow \$982,592 for the acquisition of certain property. Note 2 is payable in various annual amounts starting in December, 2019 and continuing through December, 2022 and is secured by a first lien deed of trust on the property. The annual payments bear interest at a rate of 5.0% and are subject to annual appropriation.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements for the Notes Payable, Certificates of Participation and Promissory Notes are as follows:

<u>Year Ending December 31,</u>	<u>\$9,120,000 Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest Due</u>	<u>Total</u>
	<u>Due</u>	<u>June 1 and</u>	
	<u>December 1</u>	<u>December 1</u>	
2019	\$ 574,900	\$ 445,968	\$ 1,020,868
2020	603,300	417,855	1,021,155
2021	633,100	388,354	1,021,454
2022	664,400	357,396	1,021,796
2023	697,300	324,906	1,022,206
2024-2028	4,038,400	1,078,113	5,116,513
2029-2030	1,908,600	141,126	2,049,726
Total	<u>\$ 9,120,000</u>	<u>\$ 3,153,718</u>	<u>\$ 12,273,718</u>

<u>Year Ending December 31,</u>	<u>\$50,000,000 Note Payable - Compass Bank</u>		
	<u>Principal</u>	<u>Interest Due</u>	<u>Total</u>
	<u>Due</u>	<u>June 1 and</u>	
	<u>December 1</u>	<u>December 1</u>	
2019	\$ 3,125,000	\$ 1,951,247	\$ 5,076,247
2020	3,260,000	1,815,531	5,075,531
2021	3,415,000	1,663,816	5,078,816
2022	3,570,000	1,510,084	5,080,084
2023	3,735,000	1,349,375	5,084,375
2024-2028	21,365,000	4,072,568	25,437,568
2029	4,875,000	219,458	5,094,458
Total	<u>\$ 43,345,000</u>	<u>\$ 12,582,079</u>	<u>\$ 55,927,079</u>

<u>Year Ending December 31,</u>	<u>\$20,000,000 Note Payable - Compass Bank</u>		
	<u>Principal</u>	<u>Interest Due</u>	<u>Total</u>
	<u>Due</u>	<u>June 1 and</u>	
	<u>December 1</u>	<u>December 1</u>	
2019	\$ 200,000	\$ 1,045,128	\$ 1,245,128
2020	500,000	1,001,743	1,501,743
2021	850,000	976,446	1,826,446
2022	1,450,000	933,442	2,383,442
2023	2,045,000	860,082	2,905,082
2024-2028	12,105,000	2,629,429	14,734,429
2029	2,850,000	144,980	2,994,980
Total	<u>\$ 20,000,000</u>	<u>\$ 7,591,250</u>	<u>\$ 27,591,250</u>

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

\$692,845 Promissory Note - Hartford Investments			
<u>Year Ending December 31,</u>	Principal Due December 1	Interest Due June 1 and December 1	Total
2019	\$ 230,948	\$ 34,642	\$ 265,590
2020	230,948	23,095	254,043
2021	230,949	11,547	242,496
Total	\$ 692,845	\$ 69,284	\$ 762,129

\$982,592 Promissory Note - Hartford Investments			
<u>Year Ending December 31,</u>	Principal Due December 19	Interest Due December 19	Total
2019	\$ 245,648	\$ 49,130	\$ 294,778
2020	245,648	36,847	282,495
2021	245,648	24,565	270,213
2022	245,648	12,282	257,930
Total	\$ 982,592	\$ 122,824	\$ 1,105,416

Operating Lease

On December 7, 2016, the Town entered into an Agreement for Lease of Real Property (Lease) with Cache La Poudre Reservoir Co. for the use of certain property within the Town. The Lease is an operating lease with a term of 15 years starting on December 7, 2016 (Original Term). The parties agree to enter an additional 5 years term to commence immediately if they can agree to the Lease Payment for the additional 5-year term at least 60 days prior to the termination of the Original Term. The Lease Payment is \$110,489 per year, increased annually by CPI published by US Department of Labor/Bureau of Labor Statistics. The annual payment is due in 12 equal installments payable on or before the 15th day of the month for which such payment is due. Additionally, the Town agrees to pay up to \$10,000 annually to the lessor for the annual premium payment on lessor's insurance policy.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 NET POSITION

The Town has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, capital leases, and other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2018, the Town had net investment in capital assets calculated as follows:

Capital Assets, Net of Accumulated Depreciation	\$ 68,041,325
Long-Term Debt Related to Acquisition of Capital Assets	(74,242,549)
Unspent Proceeds of Long-Term Debt Related to Acquisition of Capital Assets	<u>25,658,642</u>
Net Investment in Capital Assets	<u>\$ 19,457,418</u>

The restricted component of net position consists of assets restricted for use by external parties such as creditors, grantors, or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation. The Town's restricted net position as of December 31, 2018, include the following:

Restricted Net Position:	
Emergencies (Tabor Reserve)	\$ 194,000
Conservation Trust	126,905
Grants	1,655
Capital Projects	<u>437,336</u>
Total Restricted Net Position	<u>\$ 759,896</u>

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital asset component and the restricted component of net position. The unrestricted component of the Town's net position as of December 31, 2018, totaled \$12,504,322.

NOTE 9 COMMITMENTS

Construction Commitments

As of December 31, 2018, the Town had unexpended commitments from major construction contracts totaling \$7,046,736. Of this amount, \$157,107 was recorded as retainage payable.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN

The Town participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

General Information about the Pension Plan

Plan Description: Eligible employees of the Town are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code.

Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions: Eligible employees and the Town are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Year Ended December 31, 2018	Year Ended December 31, 2017
	<u>2018</u>	<u>2017</u>
Employer Contribution Rate ¹	10.00 %	10.00 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)	(1.02)
Amount Apportioned to the LGDTF ¹	8.98	8.98
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 ¹	2.20	2.20
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 ¹	1.50	1.50
Total Employer Contribution Rate to the LGDTF ¹	<u>12.68 %</u>	<u>12.68 %</u>

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-401(42).

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Town were \$147,486 for the year ended December 31, 2018.

At December 31, 2018, the Town reported a liability of \$1,882,987 for its proportionate share of LGDTF's net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Town's proportion of the net pension liability was based on the Town's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Town's proportion was 0.1691158986%, which was an increase of 0.0255724998% from its proportion measured as of December 31, 2016.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2018, the Town recognized pension expense of \$593,537. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 117,798	\$ -
Changes of Assumptions or Other Inputs	19,891	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	366,007
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	170,325	-
Contributions Subsequent to the Measurement Date	<u>147,486</u>	<u>-</u>
Total	<u>\$ 455,500</u>	<u>\$ 366,007</u>

\$147,486 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 237,866
2020	(27,036)
2021	(133,108)
2022	(135,715)
Total	<u>\$ (57,993)</u>

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 10.45%
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After December 31, 2006; (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentation to PERA's Board on October 28, 2016.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed income	19.32	1.20
High Yield	1.38	1.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Totals	<u>100.00 %</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

Discount Rate (Continued)

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town of Timnath's Proportionate Share of the Net Pension Liability	\$ 2,998,988	\$ 1,882,987	\$ 952,640

Pension Plan Fiduciary Net Position

Detailed information about LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes between the Measurement Date of the Net Pension Liability and December 31, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100% funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provision required by SB 18-200 are listed below. A full copy can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RETIREMENT PLAN (CONTINUED)

Changes between the Measurement Date of the Net Pension Liability and December 31, 2018 (Continued)

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At December 31, 2018 the Town reported a liability of \$1,882,987 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the Town's proportionate share of the net pension liability and associated discount rate would have been had the provision of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

	Proportionate Share of the Estimated Net Pension Liability
Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (Pro Forma)	Calculated Using Plan Provisions Required by SB 18-200 (Pro Forma)
<u>7.25%</u>	<u>\$1,331,869</u>

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the Town are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Town were \$11,864 for the year ended December 31, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Town reported a liability of \$170,781 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The Town's proportion of the net OPEB liability was based on the Town's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the Town's proportion was 0.0131410766%, which was an increase of 0.0021221770% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$5,987. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 808	\$ -
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	2,857
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	22,997	-
Contributions subsequent to the measurement date	<u>11,864</u>	<u>-</u>
Total	<u>\$ 35,669</u>	<u>\$ 2,857</u>

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$11,864 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 3,962
2020	3,962
2021	3,962
2022	3,963
2023	4,677
Thereafter	422
Total	<u>\$ 20,948</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50% in the aggregate
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, gradually rising to 4.25% in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that points.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2018	5.00 %	3.25 %
2019	5.00	3.50
2020	5.00	3.75
2021	5.00	4.00
2022	5.00	4.00
2023	5.00	4.25
2024+	5.00	4.25

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed income	19.32	1.20
High Yield	1.38	1.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Totals	<u>100.00 %</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare Trend Rate	4.00 %	5.00 %	6.00 %
Initial Medicare Part A Trend Rate	2.00 %	3.00 %	4.00 %
Ultimate Medicare Part A Trend Rate	3.25 %	4.25 %	5.25 %
Proportionate Share of the Net OPEB Liability	\$ 166,083	\$ 170,781	\$ 176,441

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Town’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net OPEB liability, as well as what the Town’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town of Timnath's Proportionate Share of the Net OPEB Liability	\$ 192,012	\$ 170,781	\$ 152,661

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan’s fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 12 DEFERRED COMPENSATION PLAN – ASSETS IN TRUST

The Town has a deferred compensation plan (the plan) created in accordance with Internal Revenue Code (IRC) Section 457. The plan is administered by ICMA Retirement Corporation. The plan is voluntary for all employees and allows a participant to invest a portion of their earnings tax deferred for the plan year.

NOTE 13 MAJOR TAXPAYERS

For the year ending December 31, 2018, 88.75% of the Town’s sales tax revenue was received from five taxpayers, and of those five taxpayers, two taxpayers constituted 84.23% of the total sales tax revenue.

NOTE 14 AGREEMENTS

Timnath Development Authority

On November 10, 2004, the Town of Timnath adopted a resolution forming an Urban Renewal Authority to be known as the Timnath Development Authority (the TDA). On December 15, 2004, the Town of Timnath approved the Urban Renewal Plan which was prepared pursuant to the provisions of the Urban Renewal Law of the State of Colorado, Paragraph 1 of Article 25 of Title 31, C.R.S., as amended. The plan was modified in March of 2007 and October of 2015. The general objective of the plan was to facilitate the planning, construction, and funding of public infrastructure necessary to serve the residents of the Town and allow development within the Town, so that the Town will be financially viable for the long term.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 AGREEMENTS (CONTINUED)

Timnath Development Authority (Continued)

The Urban Renewal Law allows the Town to include within its Urban Renewal Plan a provision that a portion of the incremental property taxes and municipal sales taxes collected within the Plan Area can be utilized to pay financial debts and financial obligations of the TDA. Such tax incremental revenues may be used for a period not to exceed the statutory requirement, which is presently twenty-five years after the effective date of the adoption of the plan.

Property tax increment (property tax TIF) represent the portion of property taxes which are produced by the levy at the rate fixed each year by or for each public body upon the valuation for assessment of taxable property in the Plan Area in excess of the amount certified on or before November 15, 2004. This amount is allocated to and, when collected, paid to the TDA to pay the principal and interest in connection with any bonds or loans of the TDA.

Sales tax increment (sales tax TIF) represents 82% of the sales taxes collected within the boundaries of the Plan Area that are in excess of the amount collected in the twelve-month period ending on February 28, 2007.

The TDA has made arrangements with certain local governments to share back a portion of the property tax TIF paid from the incremental revenues of those local governments. The TDA returns 100% of property tax TIF to certain metropolitan districts within the TDA. The TDA returns a percentage of property tax TIF to Larimer County as follows: 2007-2009 – 0%, 2010-2014 – 15%, 2015-2019 – 30%, 2020-2024 – 45%, and 2025-2029 – 60%. The TDA returns 100% of the property tax TIF derived from the Poudre Valley Fire Protection District for payment of a new fire station located within the Town (see below).

Poudre Valley Fire Protection District

On July 20, 2005, the Town entered into an intergovernmental agreement (IGA) with Poudre Valley Fire Protection District (Fire District), whereby the Town designated the Fire District as the fire service provider for the Town. The Town agreed to require landowners who seek annexation of their lands into the Town to concurrently petition to be included in the Fire District. The Fire District agreed to construct a new fire station within the Town. Prior to 2015, the TDA held all property tax TIF attributable to the Fire District in a restricted account in anticipation of an amendment of an IGA between the TDA, the Town, the Fire District, and the Poudre Fire Authority whereby the Town would remit these funds to the Fire District to help fund the construction of the new fire station. On November 18, 2015, the IGA was amended to, among other matters, clarify the sharing of property tax TIF revenues. The TDA now remits funds to the Fire District to pay capital and operating expenses associated with the fire station.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 AGREEMENTS (CONTINUED)

Boxelder Basin Regional Stormwater Authority

Boxelder Basin Regional Stormwater Authority (BBRSA) was formed by an intergovernmental agreement in 2008 for the purpose of funding and implementing regional stormwater improvements. BBRSA members include the City of Fort Collins, the Town of Wellington, and Larimer County. The TDA is a financial partner pursuant to a separate intergovernmental agreement with BBRSA.

Regional stormwater projects, with a final total cost of \$12,171,499 (including the cost of the project acquisition settlement), have been completed. BBRSA has received low interest loans from the Colorado Water Conservation Board (CWCB) that can be used for property acquisition, design, and construction of these regional stormwater projects. The TDA, the City of Fort Collins, and Larimer County have also entered into a related agreement to fund a portion of the costs associated with improvements at County Road 52. The parties have agreed to share equally the cost of these improvements with the final total costs being \$1,801,381.

In 2009, the Town and the City of Fort Collins entered into an intergovernmental agreement, of which one of the items addressed is the Boxelder Split Flow floodplain through the Town. In 2014, a sixth amendment to this agreement was signed to fund projects on the west side of Interstate 25 that, in conjunction with the BBRSA projects, would remove the floodplain from the Town. The Town and the City of Fort Collins have agreed to share equally the cost of these improvements, which are completed with the final shared costs being \$4,000,000.

Developer Share Back Incentive – Cache La Poudre Investors South, LLC

On January 14, 2014, the TDA entered into a Public/Private Partnership Agreement with Cache La Poudre Investors South, LLC, Cache La Poudre Development South, LLC, and the Town pursuant to which the TDA has agreed to share back certain retailer sales tax revenues for a period of five years commencing on the retailer's opening day plus any additional time necessary to recover 50% of on-site construction costs overrun. During 2018, \$1,775,334 was paid by the TDA under this agreement. It is anticipated that approximately \$1,907,000 will be shared back in 2019 under this agreement.

Colorado Department of Transportation

In 2017, the Town entered into an intergovernmental agreement with the Colorado Department of Transportation (CDOT) regarding certain improvements to the north I-25 corridor as part of a regional partnership related to the project. The Town agrees to pay \$500,000 over the course of three years related to this agreement beginning in 2017. During 2018, the Town paid \$166,667 to CDOT for its commitment of the aforementioned project.

NOTE 15 CONTINGENCIES

The Town has been named in threatened litigations or claims. The ultimate outcome/resolution of the matters are not known at this time. The Town is monitoring the progress of these matters and has referred them to the Town's Attorney for consultation and representation. Claims are insured and representation is provided by Colorado intergovernmental Risk Sharing Agency.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self-insurance pool created by intergovernmental agreement to provide property, liability, and workers' compensation coverage to its members. CIRSA is governed by a seven member Board elected by and from its members.

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and that amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

Settled claims have not exceeded insurance coverage in the last three years.

NOTE 17 TAX, SPENDING 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 Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. The Town voters approved an election question to remove limits on the amount of revenue the Town is allowed to collect, spend, and retain.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). At December 31, 2018, the Town reserved \$194,000 of the General Fund's fund balance in accordance with this requirement. Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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.

**TOWN OF TIMNATH
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 18 RESTATEMENT

For the year ended December 31, 2018, the Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions* (GASB No. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revised and established new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the Town, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, December 31, 2017, as Previously Reported	\$ 24,868,104
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	<u>(131,982)</u>
Net Position, December 31, 2017, as Restated	<u><u>\$ 24,736,122</u></u>

NOTE 19 SUBSEQUENT EVENT

On May 20, 2019, the Town entered into an intergovernmental agreement with the City of Fort Collins (Fort Collins), related to the reconstruction of the interchange at Interstate Highway 25 and Prospect Road. The interchange is owned by the State of Colorado and the Colorado Department of Transportation (CDOT) estimates the total cost of the interchange project to be \$31,000,000, of which CDOT is funding \$12,000,000. CDOT has asked Fort Collins to fund the remaining \$19,000,000, of which the Town's portion is \$2,500,000 or approximately 13% of the project based on estimated current volumes of traffic and long-term growth. Fort Collins is financing the cost of the project with \$20,000,000 in Certificates of Participation (COPs), expected to be financed over 20 years. To repay its portion of the COPs, the Town will make annual payments of approximately \$200,000 which includes principal and interest equal to the interest rate factor Fort Collins agrees to pay on the COPs over 20 years commencing one (1) year after the date Fort Collins closes on the COPs financing. The Town's share of interest will begin to accrue on the date Fort Collins closes on its COPs financing.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF TIMNATH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Tax	\$ 134,121	\$ 134,121	\$ 133,847	\$ (274)
Specific Ownership Tax	42,200	42,200	51,145	8,945
Sales Tax	1,610,000	1,610,000	1,807,091	197,091
Motor Vehicle Sales Tax	430,600	430,600	483,920	53,320
Lodging Tax	-	-	1,176	1,176
Building Materials Use Tax	1,517,200	1,517,200	1,881,287	364,087
Total	<u>3,734,121</u>	<u>3,734,121</u>	<u>4,358,466</u>	<u>624,345</u>
Intergovernmental:				
1/4 Cent Sales Tax	184,000	184,000	225,421	41,421
Highway Users Tax (HUTF)	137,483	137,483	183,773	46,290
Conservation Trust Fund	23,205	23,205	29,434	6,229
Cigarette Tax	15,000	15,000	16,548	1,548
Severance Tax	6,035	6,035	8,557	2,522
County Road and Bridge Shareback	43,855	43,855	18,676	(25,179)
Motor Vehicle Registration Fees	16,000	16,000	14,974	(1,026)
Town of Windsor Reimbursement	250,000	250,000	-	(250,000)
Capital - Transfer from TDA	6,105,000	8,080,000	68,068	(8,011,932)
Intergovernmental - Transfer from TDA	1,969,600	2,969,600	3,921,318	951,718
Total	<u>8,750,178</u>	<u>11,725,178</u>	<u>4,486,769</u>	<u>(7,238,409)</u>
Licenses, Fees and Charges:				
Sales and Use Tax and Business License Fees	22,500	22,500	35,663	13,163
Liquor License Fees	275	275	735	460
Building Permit Fees	148,500	148,500	403,312	254,812
Annexation Fees	50,000	50,000	-	(50,000)
Community Development Fees	65,000	65,000	11,055	(53,945)
Administrative Fees	343,200	343,200	369,523	26,323
Impact Fees and In-Lieu Fees	3,080,041	3,080,041	3,529,551	449,510
Contract Reimbursements	1,525,317	1,555,317	963,187	(592,130)
Developer Chargebacks	477,000	477,000	313,327	(163,673)
Other Licenses, Fees and Charges	13,000	13,000	17,525	4,525
Total	<u>5,724,833</u>	<u>5,754,833</u>	<u>5,643,878</u>	<u>(110,955)</u>
Franchise Fees	181,800	181,800	188,785	6,985
Fines and Forfeitures	41,000	41,000	52,270	11,270
Net Investment Income	125,000	125,000	257,745	132,745
Other Revenues	75,000	195,000	163,715	(31,285)
Total Revenues	<u>18,631,932</u>	<u>21,756,932</u>	<u>15,151,628</u>	<u>(6,605,304)</u>

**TOWN OF TIMNATH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
Town Council Expenditures	\$ 8,000	\$ 8,000	\$ 6,912	\$ 1,088
Town Administration - Salaries and Benefits	525,246	525,246	498,262	26,984
Town Clerk - Elections	8,000	8,000	1,652	6,348
County Treasurer and Other Fees	27,000	27,000	34,195	(7,195)
Dues and Memberships	8,000	8,000	6,390	1,610
Finance - Contracted	282,500	282,500	250,858	31,642
Finance - Contracted - Out of Scope	40,000	40,000	49,600	(9,600)
Human Resources - Contracted	15,000	15,000	5,787	9,213
Information Technology - Contracted	125,000	125,000	74,642	50,358
Information Technology - Hardware and Software	125,000	125,000	82,738	42,262
Legal - Contracted	378,700	378,700	267,419	111,281
Legal - Contracted - Out of Scope	50,000	50,000	70,564	(20,564)
Legal - Contracted - Special Counsel	100,000	100,000	349,339	(249,339)
Audit	18,500	18,500	18,350	150
Consulting	40,000	40,000	50,548	(10,548)
Insurance	120,158	120,158	105,658	14,500
General Office and Administration	113,000	233,000	140,506	92,494
Town Events	25,000	507,000	469,616	37,384
Community Engagement	15,000	75,000	49,733	25,267
Economic Development	190,000	190,000	94,918	95,082
COPs Cost of Issuance	-	250,000	130,042	119,958
Other	100,000	100,000	48,253	51,747
Total	2,314,104	3,226,104	2,805,982	420,122
Municipal Court:				
Municipal Judge	10,000	10,000	3,498	6,502
Legal	30,000	30,000	13,539	16,461
Translator	1,000	1,000	-	1,000
Defendant Counsel	5,000	5,000	-	5,000
Jail Services	1,000	1,000	-	1,000
Total	47,000	47,000	17,037	29,963
Community Development:				
Salaries and Benefits	70,442	70,442	70,212	230
Planning - Contracted	462,728	462,728	453,079	9,649
Master Planning Studies	268,000	268,000	151,260	116,740
Consulting	12,000	12,000	17,004	(5,004)
Building Permits - Contracted	5,000	5,000	6,400	(1,400)
Code Enforcement - Contracted	32,000	32,000	23,360	8,640
Development Review - Engineering	149,000	149,000	114,371	34,629
Development Review - Planning	243,000	243,000	77,308	165,692
Development Review - Legal	138,000	138,000	35,039	102,961
General Office and Administration	32,000	32,000	27,302	4,698
Other	4,000	4,000	1,171	2,829
Total	1,416,170	1,416,170	976,506	439,664

**TOWN OF TIMNATH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts Original	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Public Safety:				
Salaries and Benefits	\$ 930,753	\$ 964,186	\$ 838,030	\$ 126,156
General Office and Administration	13,546	13,545	9,910	3,635
Equipment	36,734	36,734	26,307	10,427
Contracted Services	72,662	72,662	68,510	4,152
Vehicles and Maintenance	93,400	93,400	84,274	9,126
Training	11,910	11,910	3,622	8,288
Miscellaneous	38,400	38,400	25,562	12,838
Total	1,197,405	1,230,837	1,056,215	174,622
Public Works:				
Salaries and Benefits	357,864	357,864	337,953	19,911
Public Works Director - Contracted	198,699	198,699	204,113	(5,414)
General Engineering - Contracted	236,391	236,391	232,322	4,069
General Engineering - Contracted - Out of Scope	50,000	50,000	127,917	(77,917)
Mosquito Control	42,000	42,000	33,300	8,700
Weed Control	95,000	95,000	31,844	63,156
Grading	30,000	30,000	-	30,000
Vehicles - Repairs and Maintenance	85,000	106,000	140,598	(34,598)
Materials	12,000	12,000	12,555	(555)
Equipment Rentals	2,500	2,500	690	1,810
Snow Plowing	25,000	25,000	8,661	16,339
Street Sweeping	12,000	12,000	3,080	8,920
Street Lighting	155,000	155,000	115,603	39,397
Signal Maintenance	25,000	25,000	23,335	1,665
Drainage	20,000	20,000	-	20,000
Road Maintenance/Resurfacing	350,000	350,000	285,184	64,816
Landscape Maintenance	20,000	20,000	13,683	6,317
Street Signs	12,000	12,000	6,018	5,982
Street Striping	55,000	55,000	57,805	(2,805)
Boxelder ESDP	31,000	31,000	-	31,000
Other	30,000	30,000	34,680	(4,680)
Total	1,844,454	1,865,454	1,669,341	196,113
Parks and Recreation:				
Salaries and Benefits	19,002	19,002	10,057	8,945
Park Maintenance	187,250	232,250	166,215	66,035
Reservoir Lease	123,804	123,804	121,824	1,980
General Park Development	50,000	50,000	22,235	27,765
General Trail Improvements	100,000	100,000	4,397	95,603
Future 80 Acre Community Park	15,000	15,000	-	15,000
I-25 Underpass Trail Contribution - Poudre Trail	50,000	50,000	-	50,000
Timnath South Regional Park - Construction	300,000	435,000	270,685	164,315
Poudre River Trailhead Park	300,000	300,000	99,677	200,323
TROC Trail	50,000	50,000	-	50,000
Water Rights and Non-Potable System	250,000	250,000	12,156	237,844
Total	1,445,056	1,625,056	707,246	917,810

**TOWN OF TIMNATH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts Original	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)				
Debt Service:				
DOLA Loan - Principal	\$ 40,993	\$ 582,379	\$ 582,379	\$ -
DOLA Loan - Interest	29,119	29,621	24,266	5,355
Certificates of Participation - Interest	-	270,000	165,999	104,001
Total	<u>70,112</u>	<u>882,000</u>	<u>772,644</u>	<u>109,356</u>
Capital Outlay:				
Roads and Utilities				
Bethke Warning Lights	60,000	60,000	2,954	57,046
Fewell Infrastructure	665,000	665,000	14,218	650,782
Timnath Trail Drive Improvements	95,000	175,000	171,526	3,474
Harmony Road Electrical Undergrounding	-	300,000	255,754	44,246
Harmony Road Phase IV	-	1,250,000	240,457	1,009,543
Harmony Road and Latham at CR1 Signal	500,000	500,000	42,246	457,754
Latham Parkway Wildwing to Hwy 14	-	-	97,171	(97,171)
I-25 Improvements - CDOT	166,667	166,667	166,667	-
Main Street Railroad Crossing	70,000	70,000	25,162	44,838
Old Town improvements - Phase II	1,475,000	1,475,000	191,717	1,283,283
Parkway Improvements	2,800,000	2,800,000	19,374	2,780,626
Prospect I-25 Interchange Participation	200,000	200,000	-	200,000
Railroad Crossing Improvements - Three Bell	500,000	600,000	25,523	574,477
Signage and Monumentation	350,000	350,000	-	350,000
Summerfield Parkway Ditch Crossing	35,000	35,000	38,981	(3,981)
Buildings and Equipment				
New Town Hall	-	5,000,000	4,275,978	724,022
Emergency Preparedness	5,000	5,000	-	5,000
Public Works/Town Administration Building	175,000	175,000	687	174,313
Website Upgrade	10,000	10,000	3,500	6,500
Stormwater				
Boxelder Stormwater - Fort Collins	200,000	200,000	-	200,000
Regional Stormwater Improvements	100,000	100,000	-	100,000
Community/Vision Projects	3,366,000	3,691,000	2,047,724	1,643,276
Total	<u>10,772,667</u>	<u>17,827,667</u>	<u>7,619,639</u>	<u>10,208,028</u>
Total Expenditures	<u>19,106,968</u>	<u>28,120,288</u>	<u>15,624,610</u>	<u>12,495,678</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(475,036)	(6,363,356)	(472,982)	5,890,374
OTHER FINANCING SOURCES (USES)				
Certificates of Participation Proceeds	-	9,110,000	9,120,000	10,000
Sale of Land Proceeds	1,400,000	1,400,000	111,651	(1,288,349)
Transfers In (Out)	3,200	3,200	7,193	3,993
Total Other Financing Sources (Uses)	<u>1,403,200</u>	<u>10,513,200</u>	<u>9,238,844</u>	<u>(1,274,356)</u>
NET CHANGE IN FUND BALANCES	928,164	4,149,844	8,765,862	4,616,018
Fund Balances - Beginning of Year	<u>11,423,675</u>	<u>11,423,675</u>	<u>10,658,072</u>	<u>(765,603)</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,351,839</u>	<u>\$ 15,573,519</u>	<u>\$ 19,423,934</u>	<u>\$ 3,850,415</u>

**TOWN OF TIMNATH
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal Grants	\$ 700	\$ 4,737	\$ 4,848	\$ 111
Other Grants	2,500	5,263	4,000	(1,263)
Total Revenues	<u>3,200</u>	<u>10,000</u>	<u>8,848</u>	<u>(1,152)</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,200	10,000	8,848	(1,152)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(3,200)</u>	<u>(10,000)</u>	<u>(7,193)</u>	<u>2,807</u>
Total Other Financing Sources (Uses)	<u>(3,200)</u>	<u>(10,000)</u>	<u>(7,193)</u>	<u>2,807</u>
NET CHANGE IN FUND BALANCE	-	-	1,655	1,655
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,655</u>	<u>\$ 1,655</u>

**TOWN OF TIMNATH
TIMNATH DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
TIF - Property Tax	\$ 5,673,118	\$ 5,673,118	\$ 5,691,889	\$ 18,771
TIF - Sales Tax	4,960,000	4,960,000	5,228,621	268,621
Net Investment Income	30,000	30,000	44,179	14,179
Total Revenues	<u>10,663,118</u>	<u>10,663,118</u>	<u>10,964,689</u>	<u>301,571</u>
EXPENDITURES				
Miscellaneous	150,000	150,000	164,186	(14,186)
Loan Issuance Costs	300,000	300,000	175,000	125,000
Debt Service:				
Loan Interest	2,823,018	2,823,018	2,084,377	738,641
Loan Principal	3,705,000	2,705,000	2,705,000	-
Capital Outlay:				
Road, Utilities, Other (Transfer to Town)	6,105,000	8,080,000	68,068	8,011,932
Boxelder - BBRSA IGA	250,000	250,000	297,851	(47,851)
Developer Shareback Incentive	1,765,500	1,765,500	1,775,334	(9,834)
Intergovernmental - Transfer to Town	1,969,600	2,969,600	3,921,318	(951,718)
Total Expenditures	<u>17,068,118</u>	<u>19,043,118</u>	<u>11,191,134</u>	<u>7,851,984</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,405,000)	(8,380,000)	(226,445)	8,153,555
OTHER FINANCING SOURCES (USES)				
Loan Issuance	15,000,000	20,000,000	20,000,000	-
Total Other Financing Sources (Uses)	<u>15,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	8,595,000	11,620,000	19,773,555	8,153,555
Fund Balance - Beginning of Year	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,007,209</u>	<u>7,209</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,595,000</u>	<u>\$ 13,620,000</u>	<u>\$ 21,780,764</u>	<u>\$ 8,160,764</u>

**TOWN OF TIMNATH
REQUIRED SUPPLEMENTARY INFORMATION (PENSIONS)
YEAR ENDED DECEMBER 31, 2018**

Schedule of the Town's Proportionate Share of the Net Pension Liability

	2017	2016	2015	2014	2013
Town's proportion of the net pension liability	0.1691158986%	0.1435433988%	0.1024182994%	0.0967741114%	0.0776702427%
Town's proportionate share of the net pension liability	\$ 1,882,987	\$ 1,938,325	\$ 1,128,221	\$ 867,395	\$ 639,165
Town's covered-employee payroll	\$ 1,066,854	\$ 870,052	\$ 581,655	\$ 530,278	\$ 414,377
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.5 %	222.8 %	194.0 %	163.6 %	154.2 %
Plan fiduciary net position as a percentage of the total pension liability	79.4%	73.6%	76.9 %	80.7 %	77.7 %

Schedule of Town Contributions

	2018	2017	2016	2015	2014
Town's contractually required contribution	\$ 135,277	\$ 110,323	\$ 73,754	\$ 67,239	\$ 52,543
Town's contributions in relation to the contractually required contribution	(135,277)	(110,323)	(73,754)	(67,239)	(52,543)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,066,854	\$ 870,052	\$ 581,655	\$ 530,278	\$ 414,377
Town's contributions as a percentage of covered employee payroll	12.7%	12.7 %	12.7 %	12.7 %	12.7 %

Note: Information for years prior to 2014 are not available.

**TOWN OF TIMNATH
REQUIRED SUPPLEMENTARY INFORMATION (OPEB)
YEAR ENDED DECEMBER 31, 2018**

Schedule of the Town's Proportionate Share of the OPEB Liability

Measurement Date (December 31)	2017	2016
Town's proportion of the net OPEB liability	0.0131410766%	0.0110188996%
Town's proportionate share of the net OPEB liability	\$ 170,781	\$ 142,864
Town's covered-employee payroll	\$ 1,066,854	\$ 870,052
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.0 %	16.4 %
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%

Schedule of OPEB Contributions and Related Ratios

	2018	2017
Town's contractually required contribution	\$ 11,864	\$ 10,882
Town's contributions in relation to the contractually required contribution	(11,864)	(10,882)
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 1,163,139	\$ 1,066,854
Town's contributions as a percentage of covered employee payroll	1.02%	1.02%

Note: Information for years prior to 2014 are not available.

SUPPLEMENTARY INFORMATION

**TOWN OF TIMNATH
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

Year Ending December 31,	\$50,000,000		\$9,120,000	
	Note Payable to Compass Bank Refunding and Improvement Loan Dated September 29, 2015 Interest Rate - 4.44%		Loan Payable Certificates of Participation Dated July 17, 2018 Interest Rate - 4.89%	
	Interest Payable June 1 and December 1		Interest Payable June 1 and December 1	
	Principal Due December 1		Principal Due December 1	
	Principal	Interest	Principal	Interest
2019	\$ 3,125,000	\$ 1,951,247	\$ 574,900	\$ 445,968
2020	3,260,000	1,815,531	603,300	417,855
2021	3,415,000	1,663,816	633,100	388,354
2022	3,570,000	1,510,084	664,400	357,396
2023	3,735,000	1,349,375	697,300	324,906
2024	3,900,000	1,184,474	731,700	290,808
2025	4,080,000	1,005,672	767,900	255,028
2026	4,265,000	822,004	805,800	217,478
2027	4,460,000	630,008	845,600	178,074
2028	4,660,000	430,410	887,400	136,725
2029	4,875,000	219,458	931,200	93,331
2030	-	-	977,400	47,795
Total	<u>\$ 43,345,000</u>	<u>\$ 12,582,079</u>	<u>\$ 9,120,000</u>	<u>\$ 3,153,718</u>

Year Ending December 31,	\$20,000,000		\$692,845	
	Note Payable to Compass Bank 2018 Improvement Loan Dated November 20, 2018 Interest Rate - 4.99%		Promissory Note - Hartford Dated January 18, 2018 Interest Rate - 5%	
	Interest Payable June 1 and December 1		Principal & Interest Due January 18	
	Principal Due December 1		Principal & Interest Due January 18	
	Principal	Interest	Principal	Interest
2019	\$ 200,000	\$ 1,045,128	\$ 230,948	\$ 34,642
2020	500,000	1,001,743	230,948	23,095
2021	850,000	976,446	230,949	11,547
2022	1,450,000	933,442	-	-
2023	2,045,000	860,082	-	-
2024	2,165,000	760,765	-	-
2025	2,285,000	645,312	-	-
2026	2,405,000	531,480	-	-
2027	2,540,000	409,804	-	-
2028	2,710,000	282,068	-	-
2029	2,850,000	144,980	-	-
2030	-	-	-	-
Total	<u>\$ 20,000,000</u>	<u>\$ 7,591,250</u>	<u>\$ 692,845</u>	<u>\$ 69,284</u>

TOWN OF TIMNATH
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2018

Year Ending December 31,	\$982,592		\$143,474	
	Promissory Note - Hartford		2016 Ford Police Interceptor	
	Dated December 19, 2018		Utility Vehicles (3 units)	
	Interest Rate - 5%		Dated April 14, 2016	
	Interest Rate - 5.95%		Interest Rate - 5.95%	
	Principal & Interest Due December 19		Principal	Interest
	Principal	Interest	Principal	Interest
2019	\$ 245,648	\$ 49,130	\$ 33,854	\$ 2,014
2020	245,648	36,847	-	-
2021	245,648	24,565	-	-
2022	245,648	12,282	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Total	<u>\$ 982,592</u>	<u>\$ 122,824</u>	<u>\$ 33,854</u>	<u>\$ 2,014</u>

Year Ending December 31,	\$45,334		\$58,105		Total
	2017 Ford Police Interceptor		2018 GMC Police Vehicle		
	Utility Vehicle (1 unit)		Utility Vehicle (1 unit)		
	Dated May 1, 2017		Dated October 11, 2018		
	Interest Rate - 5.95%		Interest Rate - 5.944%		
	Principal	Interest	Principal	Interest	
2019	\$ 10,096	\$ 1,237	\$ 12,216	\$ 2,310	\$ 7,964,338
2020	10,697	636	12,942	1,584	8,160,826
2021	-	-	13,711	815	8,453,951
2022	-	-	-	-	8,743,252
2023	-	-	-	-	9,011,663
2024	-	-	-	-	9,032,747
2025	-	-	-	-	9,038,912
2026	-	-	-	-	9,046,762
2027	-	-	-	-	9,063,486
2028	-	-	-	-	9,106,603
2029	-	-	-	-	9,113,969
2030	-	-	-	-	1,025,195
Total	<u>\$ 20,793</u>	<u>\$ 1,873</u>	<u>\$ 38,869</u>	<u>\$ 4,709</u>	<u>\$ 97,761,705</u>

**TOWN OF TIMNATH
SCHEDULE OF IMPACT FEES
YEAR ENDED DECEMBER 31, 2018**

<u>Impact Fee</u>	<u>Balance at December 31, 2017</u>	<u>Impact Fees Collected* in 2018</u>	<u>Impact Fees Used in 2018</u>	<u>Balance at December 31, 2018</u>
Parks	\$ -	\$ 1,448,780	\$ 329,165	\$ 1,119,615
Police	306,640	273,488	63,927	516,201
Stormwater	249,553	238,325	-	487,878
Public Buildings	376,724	332,788	-	709,512
Transportation	996,538	934,110	-	1,930,648
Total	<u>\$ 1,929,455</u>	<u>\$ 3,227,491</u>	<u>\$ 393,092</u>	<u>\$ 4,763,854</u>

*Includes interest allocation

LOCAL HIGHWAY FINANCE REPORT

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

LOCAL HIGHWAY FINANCE REPORT		City or County:	Town of Timnath
		YEAR ENDING :	December 2018
This Information From The Records Of (example - City of _ or County of		Prepared By:	Dezire Sanchez
		Phone:	970-224-3211

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	879,726
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	678,806
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	23,335
2. General fund appropriations	229,552	b. Snow and ice removal	8,661
3. Other local imposts (from page 2)	1,418,364	c. Other	115,603
4. Miscellaneous local receipts (from page 2)	26,135	d. Total (a. through c.)	147,599
5. Transfers from toll facilities		4. General administration & miscellaneous	0
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	0
a. Bonds - Original Issues		6. Total (1 through 5)	1,706,131
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	1,674,051	b. Redemption	0
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	198,746	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	1,872,798	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	166,667
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	1,872,798

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
		1,872,798	1,872,798		(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2018

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	26,135
1. Sales Taxes	483,920	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	883,299	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	51,145	g. Other Misc. Receipts	0
6. Total (1. through 5.)	1,418,364	h. Other	0
c. Total (a. + b.)	1,418,364	i. Total (a. through h.)	26,135
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	183,773	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	14,974	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	14,974	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	198,746	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation	538,457	341,269	879,726
(5). Total Construction (1) + (2) + (3) + (4)	538,457	341,269	879,726
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	538,457	341,269	879,726
			(Carry forward to page 1)

Notes and Comments: