



**City of Fort Morgan, Colorado**

**Financial Statements and Supplementary  
Information**

For the Year Ended December 31, 2015

# City of Fort Morgan, Colorado

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## Financial Section

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Fort Morgan, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Morgan, Colorado (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Morgan, Colorado as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of Statement No. 68*. As a result of the implementation of these standards, the City reported a decrease in beginning net position as a restatement for the change in accounting principle for fiscal year 2015 totaling \$5,692,118 in the governmental activities and \$4,038,272 in the business-type activities. Our opinion is not modified with respect to this matter.

### ***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 4 through 14, the budgetary comparison information on pages 54 through 56, Schedule of City's Proportionate Share of the Net Pension Liability - PERA - Local Government Division Trust Fund on page 57, the Schedule of City Contributions - PERA - Local Government Division Trust Fund on pages 58 through 59, the Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Volunteer Firefighters' Pension Plan on page 61, the Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Old Hire Pension Plan on page 62, the Schedule of Contributions - Volunteer Firefighters' Pension Plan on page 63 and the Schedule of Contributions - Old Hire Pension Plan on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient 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 City's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Local Highway Finance Report, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



*Other Reporting Required by Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the City of Fort Morgan, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fort Morgan, Colorado's internal control over financial reporting and compliance.

*Anton Collins Mitchell LLP*

Greeley, Colorado  
June 21, 2016



## MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Fort Morgan, Colorado (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$129 million (net position). Of this amount, \$46 million (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.

The government’s total net position increased by \$10.9 million in the current year. The City recognized an approximate \$3.3 million increase in its main operating fund (General Fund); repaid \$40 thousand of outstanding government activity debt; and had a net increase of \$2.4 million in its enterprise funds net position. The governmental funds net position was adjusted downward by \$5.7 million and the enterprise downward by \$4.0 million to reflect the effects of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (“GASB 68”)*. See footnote 9.

As of the close of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$19.3 million, an increase of \$1.8 million or 10.3%. Of this amount \$16.4 million is available for spending through the adoption of the 2016 budget.

The General Fund’s unassigned fund balance at December 31, 2015 was \$16.4 million, or 193.6% of total General Fund expenditures.

For 2015, the City’s total debt decreased by \$2.2 million to \$17.8 million due to annual retirement of water and sewer revenue bonds and notes, and repayment of capital leases.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 to 17) provide information about the activities of the City as a whole and present a long-term view of the City’s finances. The fund basis financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The statements for fiduciary funds provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 15. One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.



# City of Fort Morgan

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These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads and infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities** - Most of the City's basic services are reported here, including the police, fire, public works, recreation, golf, cemetery, library, museum, parks, and general administration. Property taxes, sales taxes, franchise fees, and grants finance most of these activities.

**Business-type activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, gas, water, waste water, sanitation and fiber network operations are reported here.

## Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two main kinds of funds, governmental and proprietary, use different accounting approaches.

**Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements. The governmental funds of the City are the General Fund, Police Forfeiture Fund, Capital Improvement Fund, Golf Fund, and Conservation Trust Fund.

**Proprietary funds** - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are reported as the business-type activities in the government-wide statements. These enterprise fund statements provide more detail and additional information, such as cash flows, for proprietary funds. The enterprise funds of the City are the Electric Fund, Gas Fund, Water Fund, Waste Water Fund, Sanitation Fund and Fiber Network Fund. We use an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the City's Self Insurance Fund.



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## The City as Trustee

The City is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. As of December 31, 2015, the City's Trust funds are the Cemetery Perpetual Care Fund and Riverview Commons GID Fund.

## THE CITY AS A WHOLE

### Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Morgan, assets exceeded liabilities by \$129 million at December 31, 2015.

By far the largest portion of the City of Fort Morgan's net position (62.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$46.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Fort Morgan is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$26,501	\$24,914	\$38,622	\$36,651	\$65,123	\$61,565
Long term Receivables	-	-	\$912	\$1,117	\$912	\$1,117
Capital assets	33,682	27,146	64,174	65,508	97,856	92,654
<b>Total assets</b>	<b>60,183</b>	<b>52,060</b>	<b>103,708</b>	<b>103,276</b>	<b>163,891</b>	<b>155,336</b>
Deferred Outflows of resources	704		617		1,321	\$0
<b>Liabilities:</b>						
Long-term liabilities outstanding	6,694	221	22,641	20,042	29,335	20,263
Other liabilities	1,569	2,212	2,306	2,867	3,875	5,079
<b>Total liabilities</b>	<b>8,263</b>	<b>2,433</b>	<b>24,947</b>	<b>22,909</b>	<b>33,210</b>	<b>25,342</b>
Deferred Inflows of resources	1,969	1,727	707	79	2,676	8,423
<b>Net position:</b>						
Net investment in capital assets	33,644	27,068	46,685	45,998	80,329	73,066
Restricted	2,856	4,318	0	3,162	2,856	7,480

Net position of the City's governmental activities increased 5.8% (\$50.7 million compared to \$47.9 million). Unrestricted net position decreased \$2.4 million.



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The net position of the City's business-type activities decreased by approximately \$1.7 million. The City generally can only use this net position to finance the continuing operations of the electric, gas, water, waste water, sanitation and fiber network functions.

## Changes in Net Position

### SUMMARY OF CHANGES IN NET POSITION, in thousands For the Years Ended December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 1,032	\$ 1,073	\$ 37,277	\$ 37,316	\$ 38,309	\$ 38,389
Operating grants and contributions	943	1,792	-	-	943	1,792
Capital grants and contributions	3,924	3,121	351	259	4,275	3,380
General Revenues:						
Property taxes	1,526	1,351	-	-	1,526	1,351
Sales & Use Tax	7,691	7,093	-	-	7,691	7,093
Intergovernmental - in Lieu of Tax	3,803	3,971	140	-	3,943	3,971
Franchise taxes	96	91	-	-	96	91
Specific ownership taxes	170	152	-	-	170	152
Earnings on investments	28	21	94	58	122	79
Miscellaneous	376	606	496	393	872	999
Gain (loss) on sale of capital assets	(7)	(44)	-	(185)	(7)	(229)
<b>Total Revenues</b>	<b>19,582</b>	<b>19,227</b>	<b>38,358</b>	<b>37,841</b>	<b>57,940</b>	<b>57,068</b>
<b>EXPENSES</b>						
General government	1,965	1,993	-	-	1,965	1,993
Public safety	4,051	3,889	-	-	4,051	3,889
Community development and public works	1,400	1,509	-	-	1,400	1,509
Parks and recreation	3,718	3,624	-	-	3,718	3,624
Golf course	-	-	-	-	-	0
Electric	-	-	22,535	21,569	22,535	21,569
Water	-	-	5,527	5,718	5,527	5,718
Gas	-	-	4,502	5,671	4,502	5,671
Waste water	-	-	2,312	2,274	2,312	2,274
Sanitation	-	-	1,050	1,220	1,050	1,220
Interest on long-term debt	2	3	-	-	2	3
Fiber network	-	-	10	10	10	10
<b>Total Expenses</b>	<b>11,136</b>	<b>11,018</b>	<b>35,936</b>	<b>36,462</b>	<b>47,072</b>	<b>47,480</b>
Increase (decrease) in net position	8,446	8,209	2,422	1,379	10,868	9,588
Net position beginning of year	47,900	39,691	80,287	78,908	128,187	118,599
Prior period adjustment	(5,691)	-	(4,038)	-	(9,729)	0
<b>Net position end of year</b>	<b>\$50,655</b>	<b>\$47,900</b>	<b>\$78,671</b>	<b>\$80,287</b>	<b>\$129,326</b>	<b>\$128,187</b>

Note: Net position for 2014 for the implementation of GASB 68 was not restated as presented above.



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Governmental activities – Governmental activities increased the City’s net position by \$8.4 million accounting for 16.7% of the City’s net position. Key elements of this increase are presented in the summary of changes in net position as shown above. Governmental activity revenue increased by \$0.4 million. The most significant revenue increase was in capital grants and contributions (\$.8 million).

The cost of all governmental activities this year was \$11.1 million, \$0.1 million higher than last year. However, as shown in the Statement of Activities on pages 16 and 17, the amount that our taxpayers ultimately financed for these activities through City taxes was \$5.2 million because some of the cost was paid by those who directly benefited from the programs (\$1.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.9 million). Of the \$5.9 million, \$3.9 million was for capital purposes.

The following schedule presents the cost of the City’s six largest programs – police, streets, parks, library, fire and recreation – as well as each program’s net operating cost (total operating cost less revenues generated by the activities, excluding capital grants). The net cost shows the financial burden that was placed on the City’s taxpayers for each of these functions.

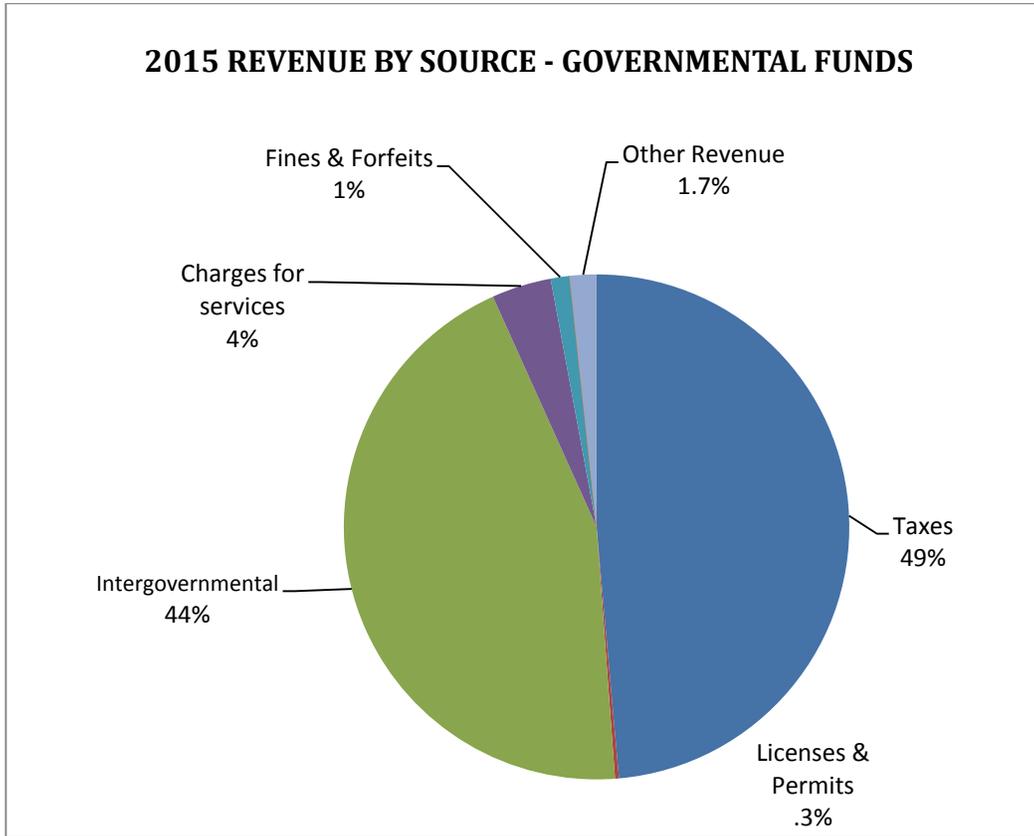
<b>CITY OF FORT MORGAN</b>				
<b>SCHEDULE OF LARGEST GOVERNMENTAL ACTIVITIES in thousands</b>				
<b>For the Years Ended December 31, 2015 and 2014</b>				
	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General Government	\$1,965	\$1,993	(\$3,047)	(\$3,025)
Public Safety	4,051	3,889	4,051	3,889
Public Works	1,400	1,509	1,069	1,178
Parks and Recreation	3,718	3,624	3,163	2,988
	<u>\$11,134</u>	<u>\$11,015</u>	<u>\$5,236</u>	<u>\$5,030</u>

Business-type activities - Revenues of the City’s business-type activities increased by 1.3% or \$0.5 million and expenses decreased by 1.6% or \$0.6 million (\$35.9 million in 2015 compared to \$36.5 million in 2014). Activity in the business type funds was little changed from 2014.

## FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

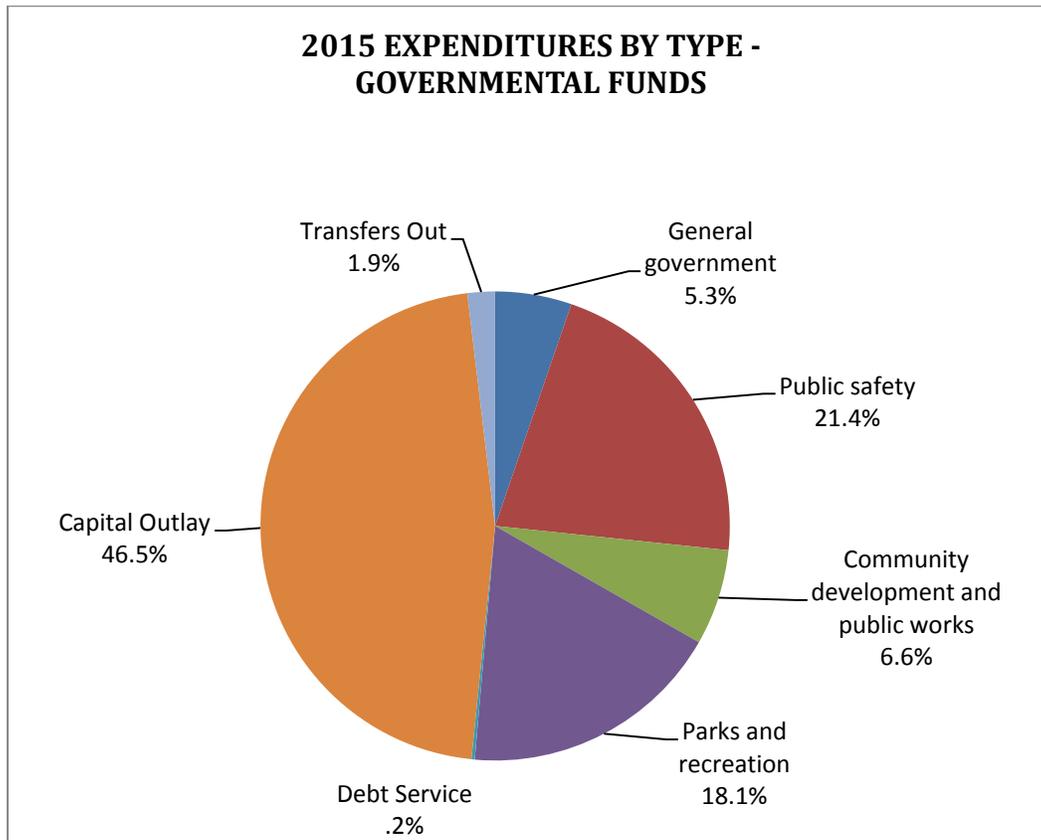
As noted earlier, the City of Fort Morgan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - One of the differences between the governmental activities as reported in the government-wide Statement of Activities on pages 16 and 17 and the individual governmental fund financial statements reported on pages 20 to 21 is the reporting of capital asset acquisitions. For the government-wide financial statements, any new capital assets are capitalized and only depreciation expense for those assets is reported in the Statement of Activities. In the individual governmental fund financial statements, the expenditure for capital asset acquisitions is reported in the Statement of Revenues, Expenditures and Changes in Net Position. Therefore, governmental fund capital asset acquisitions of \$8,303,766 included in capital outlay on page 21 are not reflected as expenses on pages 16 and 17.



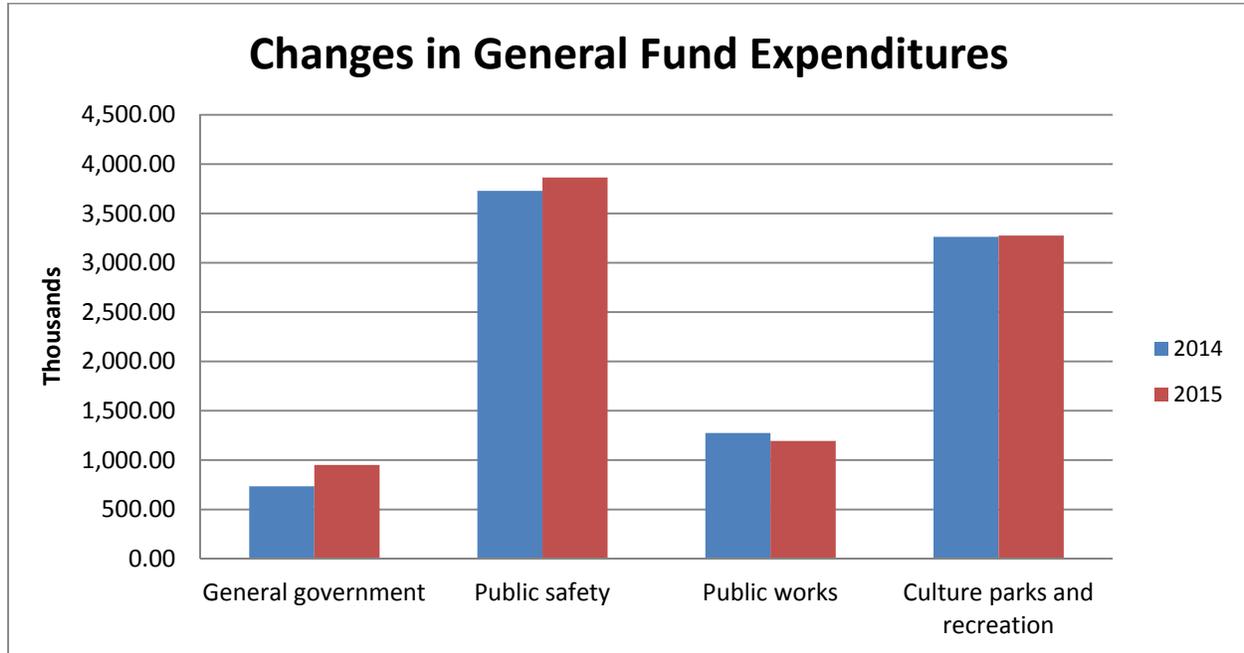
As the City completed the year, its governmental funds (as presented in the Balance Sheet on page 18) reported a combined fund balance of \$19.3 million, which increased \$1.8 million from last year's total of \$17.5 million. Included in this year's total change in fund balance is an increase of \$3.3 million in the General Fund and a decrease of \$1.5 million in the Capital Improvement Fund.

Governmental fund revenue was up \$0.8 million for 2015. Intergovernmental revenues decreased \$0.2 million to \$8.7 million.



Governmental expenditures increased by \$1.5 million in 2015.

General Fund expenditures increased by \$256 thousand while revenues increased \$350 thousand.



The Capital Improvement Fund expenditures vary by project. During 2015, the City’s capital outlay was \$8.3 million and revenues were approximately \$6.8 million.

Proprietary funds – The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. See the discussion above of the significant changes in the proprietary funds of the City.

## BUDGETARY HIGHLIGHTS

The General Fund’s budget to actual report is presented as required supplementary information on pages 54 and 55. In the General Fund, the actual charges to appropriations (expenditures) were \$925 thousand below the budgeted amounts. The Capital Improvement Fund expenditures were \$314 thousand below budget.

Resources available for appropriation (revenues) in the General Fund for 2015 were \$1.8 million above the final budgeted amount. Sales taxes were \$1.3 million over budget.



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## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015, the City had \$97.9 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, airport facilities, and electric, gas, water and sewer plants and systems (see below). This amount represents a net increase (including additions, deductions, and depreciation) of \$5.2 million, or 5.6% percent, from 2014.

<b>December 31, 2015 and 2014</b>		
in thousands		
	2015	2014
<b>Governmental Activities:</b>		
Land	\$ 1,396	\$ 1,396
Infrastructure	25,502	23,901
Golf Course	3,039	2,810
Land Improvements	13,126	5,178
Buildings and Improvements	11,571	11,319
Vehicle and or Mowing Equipment	6,222	5,193
General Equipment	3,100	2,972
Construction in Progress	1,967	4,911
Total Governmental Capital Assets	<u>65,923</u>	<u>57,680</u>
Accumulated Depreciation	<u>(32,241)</u>	<u>(30,534)</u>
Capital Assets, Net of Depreciation	33,682	27,146
<b>Business-type Activities:</b>		
Electric System	22,891	22,827
Water System	62,884	62,299
Gas System	5,564	5,524
Sewer System	19,949	19,115
Sanitation System	1,566	1,566
Fiber Network System	417	417
Construction in Progress	13	33
Total Business-Type Capital Assets	<u>113,284</u>	<u>111,781</u>
Accumulated Depreciation	<u>(49,110)</u>	<u>(46,273)</u>
Business-type Activities Capital Assets, Net of Depreciation	64,174	65,508
<b>Total City Net Capital Assets</b>	<u><u>\$ 97,856</u></u>	<u><u>\$ 92,654</u></u>

Additional information on the City of Fort Morgan's capital assets can be found in Note 7 on pages 39 and 40 of this report.



# City of Fort Morgan

710 E. Railroad Ave. • P.O. Box 100 • Fort Morgan, CO 80701  
 Administration (970) 867-4310 • Fax (970) 867-3039  
[www.cityoffortmorgan.com](http://www.cityoffortmorgan.com)

## Debt Administration

At year-end, the City had \$17.9 million in bonds, notes and lease purchase obligations outstanding versus \$20.0 million last year, a decrease of 10.8%, as shown on pages 40 through 43.

<b>Summary of Debt</b>						
<b>December 31, 2015 and 2014</b>						
in thousands						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenue bonds and notes payable	\$ -	\$ -	\$ 17,765	\$ 19,837	\$ 17,765	\$ 19,837
Lease purchases	38	78	56	110	94	188
<b>Totals</b>	<b>\$ 38</b>	<b>\$ 78</b>	<b>\$ 17,821</b>	<b>\$ 19,947</b>	<b>\$ 17,859</b>	<b>\$ 20,025</b>

The only significant activity was the repayment of the outstanding debt. See Note 8 on Pages 40 to 43 for further details.

The State limits the amount of general obligation debt that cities can issue to 3 percent of the actual value of the taxable property within the City's corporate limits. The City currently has no outstanding general obligation debt so the full \$16 million state-imposed limit is available subject to voter approval and authorization.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2015 budget, tax rates, and fees. One of those factors is the economy. The City's sales and use tax revenues grew by 8.4% in 2015. Sales tax for 2016 is expected to be level or lower due to a slight downturn in the economy.

A rate study for electric was completed in Fall of 2015 with rate changes adopted to increase electric rates in January 2016. With regard to sanitation, long term planning will need to be coordinated with the County, as the refuse storage cell operated by the County will need to be replaced. This will greatly impact the Sanitation Fund.

The other business-type activities are not expecting any significant changes in 2016.



# City of Fort Morgan

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## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Treasurer's Office at City of Fort Morgan, 710 E Railroad Ave. Fort Morgan, CO 80701.

## Basic Financial Statements

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**City of Fort Morgan, Colorado**  
**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 22,606,051	\$ 33,411,507	\$ 56,017,558
Accounts and taxes receivable	3,637,655	4,056,716	7,694,371
Inventories	48,385	1,126,131	1,174,516
Prepaid items	46,426	27,482	73,908
Restricted cash and cash equivalents	162,590	-	162,590
Long term receivables	-	911,964	911,964
Capital assets, not being depreciated	3,362,556	-	3,362,556
Capital assets, being depreciated, net	30,319,313	64,174,178	94,493,491
<b>Total assets</b>	<b>60,182,976</b>	<b>103,707,978</b>	<b>163,890,954</b>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources relating to pensions	703,850	616,732	1,320,582
<b>Liabilities</b>			
Accounts payable	1,089,428	2,070,920	3,160,348
Customer deposits	20,434	77,655	98,089
Accrued expenses	459,390	107,847	567,237
Accrued interest payable	55	49,320	49,375
Noncurrent liabilities:			
Compensated absences payable	186,027	134,962	320,989
Due within one year	37,871	1,874,736	1,912,607
Due in more than one year	-	15,946,301	15,946,301
Net pension liability	6,469,960	4,684,506	11,154,466
<b>Total liabilities</b>	<b>8,263,165</b>	<b>24,946,247</b>	<b>33,209,412</b>
<b>Deferred inflows of resources</b>			
Deferred inflow of resources relating to pensions	54,883	57,124	112,007
Unearned revenue	1,914,064	649,785	2,563,849
<b>Total deferred inflows of resources</b>	<b>1,968,947</b>	<b>706,909</b>	<b>2,675,856</b>
<b>Net position</b>			
Net investment in capital assets	33,643,998	46,685,404	80,329,402
Restricted	2,855,607	-	2,855,607
Unrestricted	14,155,109	31,986,150	46,141,259
<b>Total net position</b>	<b>\$ 50,654,714</b>	<b>\$ 78,671,554</b>	<b>\$ 129,326,268</b>

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

# City of Fort Morgan, Colorado

## Statement of Activities

Year Ended December 31, 2015

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 1,965,233	\$ 585,625	\$ 940,603	\$ 3,318,487
Public safety	4,050,521	-	-	-
Community development and public works	1,399,900	-	331,319	-
Parks and recreation and golf	3,718,215	446,663	108,986	167,344
Interest on long-term debt	1,910	-	-	-
<b>Total governmental activities</b>	<b>11,135,779</b>	<b>1,032,288</b>	<b>1,380,908</b>	<b>3,485,831</b>
<b>Business-type activities:</b>				
Electric	22,534,837	21,806,540	-	-
Water	5,527,488	7,720,238	-	301,313
Gas	4,501,901	4,478,326	-	-
Waste water	2,312,291	2,126,197	-	49,333
Sanitation	1,049,445	1,145,666	-	-
Fiber Network	10,025	-	-	-
<b>Total business-type activities</b>	<b>35,935,987</b>	<b>37,276,967</b>	<b>-</b>	<b>350,646</b>
<b>Total primary government</b>	<b>\$ 47,071,766</b>	<b>\$ 38,309,255</b>	<b>\$ 1,380,908</b>	<b>\$ 3,836,477</b>
<b>General revenues</b>				
Property taxes				
Specific ownership taxes				
Sales and use taxes				
Franchise taxes				
Intergovernmental				
Other revenues				
Earnings on investments				
Interest on long-term receivable				
Loss on disposal of capital assets				
<b>Total general revenues</b>				
Change in net position				
Net position at beginning of year				
Restatement for change in accounting principle (Note 2)				
<b>Net position at end of year</b>				

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ 2,879,482	\$ -	\$ 2,879,482
(4,050,521)	-	(4,050,521)
(1,068,581)	-	(1,068,581)
(2,995,222)	-	(2,995,222)
(1,910)	-	(1,910)
(5,236,752)	-	(5,236,752)
-	(728,297)	(728,297)
-	2,494,063	2,494,063
-	(23,575)	(23,575)
-	(136,761)	(136,761)
-	96,221	96,221
-	(10,025)	(10,025)
-	1,691,626	1,691,626
(5,236,752)	1,691,626	(3,545,126)
1,525,714	-	1,525,714
170,280	-	170,280
7,691,210	-	7,691,210
95,484	-	95,484
3,803,346	140,475	3,943,821
376,154	452,958	829,112
28,421	93,575	121,996
-	61,456	61,456
(7,417)	(17,987)	(25,404)
13,683,192	730,477	14,413,669
8,446,440	2,422,103	10,868,543
47,900,392	80,287,723	128,188,115
(5,692,118)	(4,038,272)	(9,730,390)
\$ 50,654,714	\$ 78,671,554	\$ 129,326,268

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

**City of Fort Morgan, Colorado**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 16,542,787	\$ 1,997,417	\$ 400,758	\$ 18,940,962
Restricted cash and cash equivalents	89,836	30,030	42,724	162,590
Receivables	2,555,770	854,737	141	3,410,648
Inventories	27,062	-	21,323	48,385
Prepaid items	21,910	-	1,438	23,348
<b>Total assets</b>	<b>\$ 19,237,365</b>	<b>\$ 2,882,184</b>	<b>\$ 466,384</b>	<b>\$ 22,585,933</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 117,941	\$ 941,697	\$ 5,371	\$ 1,065,009
Accrued expenses	-	50,622	-	50,622
Accrued payroll expenses	169,693	-	18,858	188,551
Customer deposits	20,434	-	-	20,434
Other liabilities	-	-	2,810	2,810
<b>Total liabilities</b>	<b>308,068</b>	<b>992,319</b>	<b>27,039</b>	<b>1,327,426</b>
<b>Deferred inflows of resources</b>				
Unearned revenue	1,767,956	134,913	11,195	1,914,064
<b>Total deferred inflows of resources</b>	<b>1,767,956</b>	<b>134,913</b>	<b>11,195</b>	<b>1,914,064</b>
<b>Fund balances</b>				
Nonspendable	48,972	-	22,761	71,733
Restricted	672,505	1,754,952	428,150	2,855,607
Unassigned	16,439,864	-	(22,761)	16,417,103
<b>Total fund balances</b>	<b>17,161,341</b>	<b>1,754,952</b>	<b>428,150</b>	<b>19,344,443</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,237,365</b>	<b>\$ 2,882,184</b>	<b>\$ 466,384</b>	<b>\$ 22,585,933</b>

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

**City of Fort Morgan, Colorado**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet with the Government-wide Statement of Net Position**

**December 31, 2015**

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

Fund balances of governmental funds	\$ 19,344,443
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental fund financial statements.

Capital assets	\$ 65,922,530	
Less: accumulated depreciation	<u>(32,240,661)</u>	33,681,869

Pension liabilities and related deferred inflows and deferred outflows are not current financial resources and, therefore, are not reported in the fund financial statements

Pension liability	\$ (6,469,960)	
Deferred outflows of resources relating to pensions	703,850	
Deferred inflows of resources relating to pensions	<u>(54,883)</u>	(5,820,993)

Internal service funds are collapsed into governmental activities	3,673,348
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Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities consist of:

Capital leases payable	(37,871)
Compensated absences payable	(186,027)
Accrued interest payable	(55)

Total net position of governmental activities	<b>\$ 50,654,714</b>
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*The accompanying notes are an integral part of these financial statements.*

**City of Fort Morgan, Colorado**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2015**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 6,944,705	\$ 2,537,983	\$ -	\$ 9,482,688
Licenses and permits	49,862	-	-	49,862
Intergovernmental	4,543,753	4,017,346	108,986	8,670,085
Charges for services	297,462	-	446,663	744,125
Fines and forfeitures	238,301	-	-	238,301
Miscellaneous	47,753	277,333	4,435	329,521
Earnings on investments	17,617	9	65	17,691
<b>Total revenues</b>	<b>12,139,453</b>	<b>6,832,671</b>	<b>560,149</b>	<b>19,532,273</b>
<b>Expenditures</b>				
Current:				
General government	951,524	-	-	951,524
Public safety	3,864,857	-	-	3,864,857
Community development and public works	1,193,663	-	-	1,193,663
Parks and recreation and golf	2,483,081	-	793,598	3,276,679
Debt service:				
Principal	-	40,031	-	40,031
Interest	-	1,966	-	1,966
Capital outlay	-	8,326,179	75,359	8,401,538
<b>Total expenditures</b>	<b>8,493,125</b>	<b>8,368,176</b>	<b>868,957</b>	<b>17,730,258</b>
Excess (deficiency) of revenues over expenditures	3,646,328	(1,535,505)	(308,808)	1,802,015
<b>Other financing sources (uses)</b>				
Transfers in	-	-	342,500	342,500
Transfers out	(342,500)	-	-	(342,500)
<b>Total other financing sources (uses)</b>	<b>(342,500)</b>	<b>-</b>	<b>342,500</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>3,303,828</b>	<b>(1,535,505)</b>	<b>33,692</b>	<b>1,802,015</b>
<b>Fund balances at beginning of year</b>	<b>13,857,513</b>	<b>3,290,457</b>	<b>394,458</b>	<b>17,542,428</b>
<b>Fund balances at end of year</b>	<b>\$ 17,161,341</b>	<b>\$ 1,754,952</b>	<b>\$ 428,150</b>	<b>\$ 19,344,443</b>

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

**City of Fort Morgan, Colorado**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenues, Expenditures and Changes in Fund Balances**  
**with the Government-wide Statement of Activities**  
**Year Ended December 31, 2015**

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

Total net change in fund balance - governmental funds. \$ 1,802,015

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay	\$ 8,303,766	
Depreciation expense	(1,760,687)	
Net book value of capital assets disposed	(7,417)	6,535,662

Internal service funds are collapsed into governmental activities. 240,166

Capital lease payments are expenditures in the governmental funds but are shown as reductions in long-term liabilities in the statement of net position and do not affect the statement of activities. 40,031

Decrease in accrued interest payable reflected against interest expense on the statement of activities and not reflected in the governmental fund statement of revenues, expenditures and changes in fund balances. 56

Increase in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected as an expense on the governmental fund statement of revenues, expenditures and changes in fund balances. (42,616)

Some items 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 fund financial statements.

Change in contributions subsequent to the measurement date	(174,286)	
Pension expense - first year amortization	42,504	
Employer pension contribution expense	2,908	(128,874)

Change in net position of governmental activities \$ 8,446,440

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

**City of Fort Morgan, Colorado**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2015**

	Electric Fund	Water Fund	Gas Fund	Waste Water Fund	Other Enterprise Funds	Total Enterprise Funds	Govt. Activities - Int. Svc. Fund
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 12,396,780	\$ 10,732,942	\$ 3,883,450	\$ 4,792,436	\$ 1,605,899	\$ 33,411,507	\$ 3,665,089
Receivables	2,188,168	715,801	804,200	227,483	121,064	4,056,716	227,007
Current portion of long-term receivable	-	86,228	-	131,890	-	218,118	-
Prepaid items	5,938	8,658	1,858	10,949	79	27,482	23,078
Inventories	495,301	189,919	440,911	-	-	1,126,131	-
<b>Total current assets</b>	<b>15,086,187</b>	<b>11,733,548</b>	<b>5,130,419</b>	<b>5,162,758</b>	<b>1,727,042</b>	<b>38,839,954</b>	<b>3,915,174</b>
<b>Noncurrent assets</b>							
Long term receivable	-	274,297	-	419,549	-	693,846	-
Capital assets, net of accumulated depreciation	7,884,486	43,229,717	1,864,750	10,345,272	849,953	64,174,178	-
<b>Total noncurrent assets</b>	<b>7,884,486</b>	<b>43,504,014</b>	<b>1,864,750</b>	<b>10,764,821</b>	<b>849,953</b>	<b>64,868,024</b>	<b>-</b>
<b>Total assets</b>	<b>22,970,673</b>	<b>55,237,562</b>	<b>6,995,169</b>	<b>15,927,579</b>	<b>2,576,995</b>	<b>103,707,978</b>	<b>3,915,174</b>
<b>Deferred outflows of resources</b>							
Deferred outflows of resources relating to pensions	278,134	145,114	72,556	84,649	36,279	616,732	-
<b>Liabilities and net position</b>							
<b>Current liabilities</b>							
Accounts payable	1,648,559	69,112	282,610	42,603	28,036	2,070,920	24,419
Accrued expenses	51,970	18,597	13,664	17,511	6,105	107,847	217,407
Customer deposits	77,655	-	-	-	-	77,655	-
Accrued interest payable	-	49,320	-	-	-	49,320	-
Current portion of long-term debt	104,927	1,713,631	-	56,178	-	1,874,736	-
<b>Total current liabilities</b>	<b>1,883,111</b>	<b>1,850,660</b>	<b>296,274</b>	<b>116,292</b>	<b>34,141</b>	<b>4,180,478</b>	<b>241,826</b>
<b>Noncurrent liabilities</b>							
Compensated absences payable	67,466	20,582	20,409	20,074	6,431	134,962	-
Bonds and notes payable	227,336	15,718,965	-	-	-	15,946,301	-
Net pension liability	2,112,620	1,102,237	551,118	642,972	275,559	4,684,506	-
<b>Total noncurrent liabilities</b>	<b>2,407,422</b>	<b>16,841,784</b>	<b>571,527</b>	<b>663,046</b>	<b>281,990</b>	<b>20,765,769</b>	<b>-</b>
<b>Total liabilities</b>	<b>4,290,533</b>	<b>18,692,444</b>	<b>867,801</b>	<b>779,338</b>	<b>316,131</b>	<b>24,946,247</b>	<b>241,826</b>
<b>Deferred inflows of resources</b>							
Unearned revenue	593,596	-	56,189	-	-	649,785	-
Deferred inflows of resources relating to pensions	25,762	13,441	6,721	7,840	3,360	57,124	-
<b>Total deferred inflows of resources</b>	<b>619,358</b>	<b>13,441</b>	<b>62,910</b>	<b>7,840</b>	<b>3,360</b>	<b>706,909</b>	<b>-</b>
<b>Net position</b>							
Net investment in capital assets	7,884,486	25,797,121	1,864,750	10,289,094	849,953	46,685,404	-
Unrestricted	10,454,430	10,879,670	4,272,264	4,935,956	1,443,830	31,986,150	3,673,348
<b>Total net position</b>	<b>\$ 18,338,916</b>	<b>\$ 36,676,791</b>	<b>\$ 6,137,014</b>	<b>\$ 15,225,050</b>	<b>\$ 2,293,783</b>	<b>\$ 78,671,554</b>	<b>\$ 3,673,348</b>

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

**City of Fort Morgan, Colorado**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended December 31, 2015**

	Electric Fund	Water Fund	Gas Fund	Waste Water Fund	Other Enterprise Funds	Total Enterprise Funds	Govt. Activities - Int. Svc. Fund
<b>Operating revenues</b>							
Charges for services	\$ 21,806,540	\$ 7,720,238	\$ 4,478,326	\$ 2,126,197	\$ 1,145,666	\$ 37,276,967	\$ 3,126,165
<b>Total operating revenues</b>	<b>21,806,540</b>	<b>7,720,238</b>	<b>4,478,326</b>	<b>2,126,197</b>	<b>1,145,666</b>	<b>37,276,967</b>	<b>3,126,165</b>
<b>Operating expenses</b>							
Transmission, distribution and collection	1,685,071	1,032,069	667,715	427,483	747,577	4,559,915	-
Commodities	16,358,904	-	2,442,173	-	-	18,801,077	-
Self insurance premiums	-	-	-	-	-	-	1,127,890
Self insurance claims	-	-	-	-	-	-	1,696,671
General administration	817,351	382,418	351,422	260,866	132,355	1,944,412	118,801
Treatment	-	1,998,967	-	1,065,791	-	3,064,758	-
In lieu of fees	2,871,314	-	884,324	-	47,708	3,803,346	-
Depreciation expense	802,197	1,260,205	156,267	525,624	131,830	2,876,123	-
<b>Total operating expenses</b>	<b>22,534,837</b>	<b>4,673,659</b>	<b>4,501,901</b>	<b>2,279,764</b>	<b>1,059,470</b>	<b>35,049,631</b>	<b>2,943,362</b>
<b>Operating income (loss)</b>	<b>(728,297)</b>	<b>3,046,579</b>	<b>(23,575)</b>	<b>(153,567)</b>	<b>86,196</b>	<b>2,227,336</b>	<b>182,803</b>
<b>Nonoperating revenues (expenses)</b>							
Earnings on investments	36,960	23,359	10,397	20,346	2,513	93,575	10,730
Interest on long-term receivable	-	24,295	-	37,161	-	61,456	-
Intergovernmental	-	-	-	140,475	-	140,475	-
Rents	28,680	-	-	-	-	28,680	-
Loss on sale of capital assets	-	-	-	(17,987)	-	(17,987)	-
Other revenues	281,385	14,546	59,298	69,049	-	424,278	46,633
Debt issuance costs	-	(166,513)	-	-	-	(166,513)	-
Interest expense	-	(687,316)	-	(32,527)	-	(719,843)	-
<b>Total nonoperating revenues (expenses)</b>	<b>347,025</b>	<b>(791,629)</b>	<b>69,695</b>	<b>216,517</b>	<b>2,513</b>	<b>(155,879)</b>	<b>57,363</b>
<b>Income (loss) before contributions</b>	<b>(381,272)</b>	<b>2,254,950</b>	<b>46,120</b>	<b>62,950</b>	<b>88,709</b>	<b>2,071,457</b>	<b>240,166</b>
Capital contributions	-	301,313	-	49,333	-	350,646	-
<b>Changes in net position</b>	<b>(381,272)</b>	<b>2,556,263</b>	<b>46,120</b>	<b>112,283</b>	<b>88,709</b>	<b>2,422,103</b>	<b>240,166</b>
Net position at beginning of year	20,541,369	35,070,710	6,565,985	15,667,040	2,442,619	80,287,723	3,433,182
Restatement for change in accounting principle - (Note 2)	(1,821,181)	(950,182)	(475,091)	(554,273)	(237,545)	(4,038,272)	-
<b>Net position at end of year</b>	<b>\$ 18,338,916</b>	<b>\$ 36,676,791</b>	<b>\$ 6,137,014</b>	<b>\$ 15,225,050</b>	<b>\$ 2,293,783</b>	<b>\$ 78,671,554</b>	<b>\$ 3,673,348</b>

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

**City of Fort Morgan, Colorado**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2015**

	Electric Fund	Water Fund
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 23,669,176	\$ 7,698,602
Cash payments to suppliers	(19,957,534)	(2,766,168)
Cash payments to employees	(1,922,108)	(680,693)
<b>Net cash flows from operating activities</b>	<b>1,789,534</b>	<b>4,251,741</b>
<b>Cash flows from non-capital financing activities</b>		
Rents	28,680	-
Other income	281,385	14,546
<b>Net cash flows from non-capital financing activities</b>	<b>310,065</b>	<b>14,546</b>
<b>Cash flows from capital and related financing activities</b>		
Capital grants and contributions	-	301,313
Acquisition of capital assets	(77,983)	(551,827)
Proceeds from sale of capital assets	-	-
Change in restricted cash and investments	-	2,180,433
Principal received on long-term receivable	-	81,219
Proceeds from issuance of debt	-	14,635,000
Principal paid on long-term debt	(104,925)	(15,927,068)
Interest paid on long-term debt	-	(840,652)
Bond issuance costs	-	(166,513)
<b>Net cash flows from capital and related financing activities</b>	<b>(182,908)</b>	<b>(288,095)</b>
<b>Cash flows from investing activities</b>		
Interest received	36,960	47,654
<b>Net cash flows from investing activities</b>	<b>36,960</b>	<b>47,654</b>
<b>Net change in cash and cash equivalents</b>	<b>1,953,651</b>	<b>4,025,846</b>
Cash and cash equivalents at beginning of year	10,443,129	6,707,096
<b>Cash and cash equivalents at end of year</b>	<b>\$ 12,396,780</b>	<b>\$ 10,732,942</b>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>		
Operating income (loss)	\$ (728,297)	\$ 3,046,579
<b>Adjustments to reconcile operating income (loss) to net cash flows from operating activities:</b>		
Depreciation	802,197	1,260,205
Loss on sale of capital assets	-	-
(Increase) decrease in operating assets :		
Accounts receivable	1,258,039	(21,636)
Prepaid items	(4,412)	(1,252)
Inventories	(95,967)	(22,440)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(105,354)	(41,055)
Customer deposits	11,001	-
Compensated absences payable	19,664	10,958
Net pension liability and related deferred inflows and outflows of resources	39,067	20,382
Unearned revenues	593,596	-
<b>Net cash flows from operating activities</b>	<b>\$ 1,789,534</b>	<b>\$ 4,251,741</b>

Gas Fund	Waste Water Fund	Other Enterprise Funds	Total Enterprise Funds	Govt. Activities - Int. Svc. Fund
\$ 4,464,538	\$ 2,147,843	\$ 1,149,154	\$ 39,129,313	\$ 2,908,546
(4,022,309)	(1,091,096)	(751,332)	(28,588,439)	(2,949,765)
(507,912)	(626,527)	(265,252)	(4,002,492)	-
(65,683)	430,220	132,570	6,538,382	(41,219)
-	-	-	28,680	-
59,298	51,062	-	406,291	46,633
59,298	51,062	-	434,971	46,633
-	189,808	-	491,121	-
(39,838)	(890,545)	-	(1,560,193)	-
-	17,160	-	17,160	-
-	981,205	-	3,161,638	-
-	124,228	-	205,447	-
-	-	-	14,635,000	-
-	(729,038)	-	(16,761,031)	-
-	(52,683)	-	(893,335)	-
-	-	-	(166,513)	-
(39,838)	(359,865)	-	(870,706)	-
10,397	57,507	2,513	155,031	10,730
10,397	57,507	2,513	155,031	10,730
(35,826)	178,924	135,083	6,257,678	16,144
3,919,276	4,630,672	1,470,816	27,170,989	3,648,945
\$ 3,883,450	\$ 4,809,596	\$ 1,605,899	\$ 33,428,667	\$ 3,665,089
\$ (23,575)	\$ (153,567)	\$ 86,196	\$ 2,227,336	\$ 182,803
156,267	525,624	131,830	2,876,123	-
-	17,987	-	17,987	-
9,622	21,646	3,488	1,271,159	(217,619)
556	(10,937)	(79)	(16,124)	(23,078)
(28,829)	-	-	(147,236)	-
(171,491)	15,408	(93,960)	(396,452)	16,675
-	-	-	11,001	-
4,985	2,169	-	37,776	-
10,192	11,890	5,095	86,626	-
(23,410)	-	-	570,186	-
\$ (65,683)	\$ 430,220	\$ 132,570	\$ 6,538,382	\$ (41,219)

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

**City of Fort Morgan, Colorado**  
**Statement of Fiduciary Net Position (Deficit)**

**December 31, 2015**

	Cemetery Perpetual Care Fund	Riverview Commons GID Fund
<b>Assets</b>		
Restricted cash and cash equivalents	\$ 632,961	\$ -
Accrued interest receivable	589	-
<b>Total assets</b>	<b>633,550</b>	<b>-</b>
<b>Liabilities</b>		
Accounts payable	-	93,522
<b>Total liabilities</b>	<b>-</b>	<b>93,522</b>
<b>Fiduciary net position (deficit)</b>	<b>\$ 633,550</b>	<b>\$ (93,522)</b>

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

**City of Fort Morgan, Colorado**  
**Statement of Changes in Fiduciary Net Position**

**Year Ended December 31, 2015**

	Cemetery Perpetual Care Fund	Riverview Commons GID Fund
<b>Additions</b>		
Taxes	\$ -	\$ 29,908
Charges for services	14,170	-
Earnings on investments	2,468	-
Miscellaneous	-	17,500
<b>Total additions</b>	<b>16,638</b>	<b>47,408</b>
<b>Deductions</b>		
Community development and public works	-	34,371
<b>Total deductions</b>	<b>-</b>	<b>34,371</b>
Change in fiduciary net position	16,638	13,037
<b>Fiduciary net position (deficit) beginning of year</b>	<b>616,912</b>	<b>(106,559)</b>
<b>Fiduciary net position (deficit) end of year</b>	<b>\$ 633,550</b>	<b>\$ (93,522)</b>

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

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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**1. Summary of Significant Accounting Policies**

The financial statements of the City of Fort Morgan, Colorado (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

***Reporting Entity***

The City was incorporated in 1887 and adopted its Home Rule Charter during 1914. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety; highways and streets; sanitation; health and social services; culture - recreation; education; public improvements; planning and zoning; and general administrative services. The City’s basic financial statements include the accounts of all City operations. As required by GAAP, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the application of these criteria, there are no component units included in the City’s reporting entity.

***Fund Accounting***

The City uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the capital projects fund. The following are the City’s major governmental funds:

General Fund - The General Fund (a major fund) is the City’s general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes, sales tax, franchise tax and other intergovernmental revenues. Expenditures include all costs associated with the daily operations of

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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general government, public safety, public works, parks and recreation and community development.

Capital Improvement Fund - This fund accounts for the sales tax revenues used to fund the City's capital improvement projects. It is a major special revenue fund.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's major enterprise funds include the Electric, Water, Gas, and Waste Water funds. The internal service fund accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one internal service fund, the Self Insurance Fund.

The City has two fiduciary funds. The Cemetery Perpetual Care Fund accounts for nonexpendable corpus amounts, of which the investment earnings are transferred to the General Fund to assist in covering operating costs. In 2006, the City created a General Improvement District Fund (the "District") to account for ongoing improvements related to the Riverview Commons development project (reflected as the Riverview Commons GID Fund in the accompanying financial statements). The District is a special improvement district which has issued \$2,035,000 of special improvement bonds to defray a portion of the costs of the public improvements needed to serve the residential portion of the project. The developer will complete the various improvements, be reimbursed through the bond proceeds held in trust by the City, and then will convey these improvements to the City. The issued bonds bear interest at 6.5% and mature in 2026. The City is not contingently liable for the debt.

***Basis of Presentation***

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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**Fund Financial Statements**

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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 City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cigarette taxes, sales taxes, auto use taxes, taxpayer-assessed taxes, earnings on investments and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

***Basis of Accounting***

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

***Revenues - Exchange and Non-exchange Transactions***

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, intergovernmental revenues and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, intergovernmental revenues and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: sales taxes and other intergovernmental revenues.

***Unearned Revenue***

Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred inflow of resources for unearned revenue is removed and revenue is recognized.

***Expenses/Expenditures***

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

Accounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

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

***Budgets and Budgetary Accounting***

An annual budget and appropriation ordinance is adopted by the City Council in accordance with the City Charter. The budget is prepared on a basis consistent with GAAP for all governmental and proprietary funds, except that for proprietary funds, principal payments of long-term liabilities and purchases of capital assets are budgeted as expenditures, and the issuance of long-term liabilities are budgeted as other financing sources.

On, or about October 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Also, public hearings are conducted at a special meeting and at regular City Council meetings to obtain taxpayer comments. Prior to December 15, the budget is legally adopted by the City Council.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations.

All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

Budgeted expenditures reported in the accompanying financial statements are as originally adopted and as amended by the City Council throughout the year. The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets for the year ended December 31, 2015:

	Original Budget	Total Revisions	Revised Budget
<b>Governmental funds:</b>			
General Fund	\$ 9,752,521	\$ -	\$ 9,752,521
Capital Improvement Fund	3,182,350	5,500,000	8,682,350
Police Forfeiture Fund	9,500	-	9,500
Golf Fund	864,144	-	864,144
Conservation Trust Fund	90,000	-	90,000
<b>Internal service fund:</b>			
Self Insurance Fund	3,597,000	-	3,597,000
<b>Enterprise funds:</b>			
Electric Fund	25,247,653	-	25,247,653
Water Fund	6,472,874	-	6,472,874
Gas Fund	6,071,370	-	6,071,370
Waste Water Fund	2,511,376	200,000	2,711,376
Sanitation Fund	1,015,178	-	1,015,178
Fiber Network Fund	-	-	-
<b>Fiduciary Fund:</b>			
Perpetual Care Fund	4,000	-	4,000
Riverview GID Fund	135,000	-	135,000
<b>Total funds</b>	<b>\$ 58,952,966</b>	<b>\$ 5,700,000</b>	<b>\$ 64,652,966</b>

***Cash, Cash Equivalents and Temporary Investments***

Cash, cash equivalents and temporary investments include cash on hand, demand deposits, certificates of deposit and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months. Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Cash and Cash Equivalents" in the financial statements. Investments of the City's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

***Restricted Cash***

The amounts restricted are in compliance with various debt requirements associated with the City's long-term debt.

***Property Taxes***

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. The County Treasurer's office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflows of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources are recognized as revenue and the receivable is reduced.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Short-Term Inter-fund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the governmental funds balance sheet.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance in the governmental funds.

**Inventory**

Inventories are valued at cost, using the first-in, first-out method. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance in the governmental funds.

**Capital Assets**

Capital assets, which include land, buildings and other improvements, infrastructure, machinery and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Description	Life
Buildings and other improvements	30 Years
Infrastructure	20 Years
Furniture and equipment	5 - 10 Years
Utility systems	10 - 40 Years

**Compensated Absences Payable**

In accordance with the provisions of the GASB Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. Compensated absences are reported in governmental funds only if they have matured.

**Accrued Liabilities and Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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expenditure/expense during the period of issuance.

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

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

***Deferred Outflows/Inflows of Resources***

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

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

***Fund Balance and Net Position***

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

*Net Investment in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* - This category represents the net position of the City, which is not restricted for any project or other purpose. A deficit will require future funding.

In the governmental fund financial statements, fund balances are classified in five separate categories. The categories, and their general meanings, are as follows:

*Nonspendable* - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

As of December 31, 2015, fund balances were composed of the following:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventories	\$ 27,062	\$ -	\$ 21,323	\$ 48,385
Prepaid items	21,910	-	1,438	23,348
<b>Restricted:</b>				
Emergency reserve	582,669	-	-	582,669
Donations and memorials	89,836	-	-	89,836
Parks and recreation	-	-	385,426	385,426
Public safety	-	-	42,724	42,724
Capital improvements	-	1,754,952	-	1,754,952
<b>Unassigned:</b>	<b>16,439,864</b>	<b>-</b>	<b>(22,761)</b>	<b>16,417,103</b>
<b>Total</b>	<b>\$ 17,161,341</b>	<b>\$ 1,754,952</b>	<b>\$ 428,150</b>	<b>\$ 19,344,443</b>

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

***Contribution of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources to be used for capital acquisition and construction.

***Interfund Transactions***

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

***Contraband Forfeitures***

The Colorado Contraband Forfeiture Act allows law enforcement agencies to retain proceeds from the seizure of contraband. These proceeds are not subject to appropriation in the budget process. Cash proceeds are recorded in the Police Forfeiture Fund. Property and equipment seized are recorded as governmental capital assets.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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***Pensions***

The City 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”). In addition, the City contributes to a Volunteer Pension Plan and Old Hire Pension Plan; agent multiple-employer plans administered by the Fire and Police Pension Association of Colorado (“FPPA”).

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 plans 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.

***Use of Estimates***

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and could be material.

**2. Adoption of New Accounting Principle**

Effective January 1, 2015, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Prior to the adoption of GASB Statement No. 68, the City followed the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Statement No. 68 requires the City, as a participant in PERA and FPPA’s multiple-employer cost-sharing defined benefit plans, to record its proportionate share, as defined in GASB Statement No. 68, of the plan’s pension (asset)/liability. In addition, the Statement requires the City to report the plan’s net pension (asset)/liability relating to the Volunteer Fire Pension Plan and the Old Hire Fire Pension Fund, agent multiple-employer plans administered by FPPA. Statement No. 71 requires the City to record as a deferred outflow of resources contributions made to the pension plan subsequent to the measurement date of the net pension liability.

The impact of the adoption of GASB Statements No. 68 and 71 was to decrease the net position at the beginning of the fiscal year by \$5,692,118 in the governmental activities and \$4,038,272 in the business-type activities.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

**3. Cash and Cash Equivalents**

The composition of the City's cash and cash equivalents, including restricted cash, on December 31, 2015, was as follows:

	S & P Rating	Fair Value	Weighted Ave. Maturity Date (in days)	Concentration of Credit Risk
Cash on hand	N/R	\$ 4,016	N/A	N/A
Cash with county treasurer	N/R	13,908	N/A	N/A
Cash in financial institution	N/R	34,661,672	N/A	N/A
Certificates of deposit	N/R	1,847,004	N/A	8.3%
Money market	N/R	1,388,968	N/A	6.3%
Commercial paper	A-1	847,008	165	3.8%
Corporate securities	AA-/AA/ AA+/AAA	5,413,375	737	24.5%
US Treasury Notes	AA+	6,163,004	835	27.8%
Municipal bond	AA	255,948	618	1.2%
FNMA	AA+	2,075,757	1,024	9.4%
FHLMC	AA+	1,952,995	539	8.8%
FHLB	AA+	1,429,495	537	6.5%
GNMA	AAA	146	836	0.0%
Other US Instrumentality	AA+	759,813	622	3.4%
<b>Total</b>		<b>\$ 56,813,109</b>		

These balances are reflected in the accompanying financial statement in the following categories as of December 31, 2015:

Cash and investments per Statement of Net Position:	
Government-wide financial statements:	
Cash and cash equivalents	\$ 56,017,558
Restricted cash and cash equivalents	162,590
Fiduciary fund statements:	
Restricted cash and cash equivalents	632,961
<b>Total</b>	<b>\$ 56,813,109</b>

***Custodial Credit Risk - Deposits***

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The City's deposit policy is in accordance with Colorado Revised Statutes ("CRS") 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance limits must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions 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, 2015, the City had deposits with financial institutions with a carrying amount of \$34,661,672. The bank balances with the financial institutions were \$34,144,352 of which \$1 million was covered by federal depository insurance. The remaining balance of \$33,144,352 was collateralized with securities held by the financial institutions' agents but not in the City's name.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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***Custodial Credit Risk - Investments***

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a specific policy for custodial credit risk. As of December 31, 2015, the City had no investments exposed to custodial credit risk.

***Credit Risk - Investments***

State statutes and the City's investment policies authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

***Interest Rate Risk***

Colorado Revised Statutes and the City's investment policies limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value fluctuations arising from changing interest rates.

**4. Interfund Transactions**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Contributed capital between the governmental funds and proprietary funds is shown within the transfer line for financial statement presentation.

The only transfer made during the year was \$342,500 from the General Fund to the Golf Fund.

**5. Receivables**

Receivables at December 31, 2015, consist of the following:

	Governmental Funds	Proprietary Funds	Internal Service Fund	Fiduciary Funds	Total
Taxes	\$ 1,659,002	\$ -	\$ -	\$ -	\$ 1,659,002
Trade accounts	84,440	3,086,307	-	-	3,170,747
Unbilled revenues	-	970,318	-	-	970,318
Intergovernmental	1,667,206	-	-	-	1,667,206
Other	-	91	227,007	589	227,687
<b>Total</b>	<b>\$ 3,410,648</b>	<b>\$ 4,056,716</b>	<b>\$ 227,007</b>	<b>\$ 589</b>	<b>\$ 7,694,960</b>

**6. Long-Term Receivable**

In 2009, the City entered into an agreement with an outside entity for the entity to purchase water shares and wastewater system development fees from the City. The total amount of the agreement was approximately \$2 million. The receivable bears interest at 6.0% over 10 years. At December 31, 2015, the current and noncurrent portions of the receivable were \$218,118 and \$693,846, respectively. At December 31, 2015, there were five remaining years of payments due to the City, totaling \$22,242 monthly.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

**7. Capital Assets**

Governmental capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,395,676	\$ -	\$ -	\$ 1,395,676
Construction in Progress	4,911,445	1,966,880	(4,911,445)	1,966,880
Total capital assets not being depreciated	6,307,121	1,966,880	(4,911,445)	3,362,556
Capital assets being depreciated:				
Golf Course	2,810,180	233,674	(4,900)	3,038,954
Land improvements	5,178,158	7,947,559	-	13,125,717
Building and improvements	11,318,665	252,665	-	11,571,330
Infrastructure	23,901,255	1,624,946	(24,451)	25,501,750
Vehicles and equipment	5,192,728	1,036,496	(7,015)	6,222,209
General equipment	2,972,394	152,991	(25,371)	3,100,014
Total capital assets being depreciated	51,373,380	11,248,331	(61,737)	62,559,974
Accumulated depreciation	(30,534,294)	(1,760,687)	54,320	(32,240,661)
Capital assets being depreciated, net	20,839,086	9,487,644	(7,417)	30,319,313
<b>Total governmental activities capital assets, net</b>	<b>\$ 27,146,207</b>	<b>\$ 11,454,524</b>	<b>\$ (4,918,862)</b>	<b>\$ 33,681,869</b>

Depreciation for governmental activities has been allocated to various activities as follows:

General government	\$ 1,087,124
Public safety	167,744
Community development and public works	96,556
Parks and recreation	409,263
<b>Total</b>	<b>\$ 1,760,687</b>

Business-type capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Electric system	\$ 22,826,619	\$ 64,284	\$ -	\$ 22,890,903
Water system	62,299,246	584,903	-	62,884,149
Gas system	5,523,815	39,838	-	5,563,653
Sewer system	19,114,940	922,794	(89,049)	19,948,685
Sanitation system	1,566,517	-	-	1,566,517
Fiber network system	416,780	-	-	416,780
Construction in progress	33,077	13,699	(33,077)	13,699
Total capital assets	111,780,994	1,625,518	(122,126)	113,284,386
Less: Accumulated depreciation	(46,272,899)	(2,876,123)	38,814	(49,110,208)
<b>Total business-type activities capital assets, net</b>	<b>\$ 65,508,095</b>	<b>\$ (1,250,605)</b>	<b>\$ (83,312)</b>	<b>\$ 64,174,178</b>

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
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Depreciation for business-type activities has been allocated to various activities as follows:

Electric	\$	802,197
Water		1,260,205
Gas		156,267
Waste water		525,624
Sanitation		121,805
Fiber network		10,025
	\$	2,876,123

**8. Long-Term Debt**

The following is a summary of governmental long-term debt activity for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Obligations under capital leases	\$ 77,902	\$ -	\$ (40,031)	\$ 37,871	\$ 37,871
Compensated absences	143,411	74,581	(31,965)	186,027	-
	\$ 221,313	\$ 74,581	\$ (71,996)	\$ 223,898	\$ 37,871

***Governmental Activities***

***Capital Lease - 2011***

During 2011, the City entered into a capital lease for the purchase of a street sweeper. The lease requires sixty monthly payments of \$3,500 beginning in December of 2011. The lease bears interest at the rate of 3.075% per annum. The City has capitalized \$193,395 of assets under this capital lease.

The total amount due on the capital lease in 2016 is \$38,497, of which \$626 is interest.

***Business-Type Activities***

The following is a summary of business-type long-term debt activity for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
<b>Bonds payable:</b>					
USDA Series 1999A - Water	\$ 3,833,000	\$ -	\$ (3,833,000)	\$ -	\$ -
USDA Series 1999B - Water	1,593,000	-	(1,593,000)	-	-
2015 Water Revenue Refunding Bond	-	14,635,000	(580,000)	14,055,000	810,000
<b>Notes payable:</b>					
1995 CWCB Note - Water	3,898,411	-	(3,898,411)	-	-
1998 CWRPDA Note - Water	4,256,433	-	(878,837)	3,377,596	903,631
1999 CWCB Note - Water	5,143,819	-	(5,143,819)	-	-
1995 CWRPDA Note - Waste Water	674,973	-	(674,973)	-	-
<b>Capital Lease Obligations:</b>					
2012 Capital Lease	110,244	-	(54,066)	56,178	56,178
MEAN Payable	437,188	-	(104,925)	332,263	104,927
Compensated absences	94,893	55,019	(14,950)	134,962	-
	\$ 20,041,961	\$ 14,690,019	\$ (16,775,981)	\$ 17,955,999	\$ 1,874,736

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
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***Electric Fund***

**2013 Municipal Energy Agency of Nebraska Regulatory ISO Transmission Adjustment (MEAN Payable)**

During 2013, the City was notified of a settlement between the Municipal Energy Agency of Nebraska (“MEAN”) and a third party. The City has a Service Schedule Power Contract with MEAN and each service schedule participant is required to pay for its allocation of the settlement. The City’s allocation of the settlement was determined to be \$524,626 and amounts will be paid monthly at \$8,744, starting in April 2015 through April 2019. Interest is not accrued on this allocation and imputed interest is not considered material.

***Water Fund***

**1995 Colorado Water Conservation Board Note Payable**

During 1995, the City issued a \$5,500,000 note payable to the Colorado Water Conservation Board (“CWCB”). The note was utilized to enter into three separate water allotment contracts with the Northern Colorado Water Conservancy District. The note required annual payments of \$277,879 through 2035. Interest accrued at the rate of 4.0%. The note required the pledge of water revenues as security. In 2015, this note payable was refunded by the issuance of the 2015 Water Revenue Refunding bond.

**1998 Colorado Water Resources and Power Development Authority Note Payable**

During 1998, the City issued a \$15,433,355 note payable to the Colorado Resources and Power Development Authority. The note was utilized to provide additional funding for the construction of the Colorado Big Thompson pipeline. The note requires semi-annual principal and interest payments due on June 1st and December 1st of each year. The payments range from \$232,708 to \$560,557 and are payable through June 2019. The loan bears interest at a rate of 2.465% per annum.

The loan contains prepayment provisions as well as various restrictive requirements including a rate covenant, maintenance of a three month operating reserve and covenants related to the issuance of additional debt. The City is in compliance with these covenants.

**1999 Colorado Water Conservation Board Note Payable**

During 1999, the City issued an \$8,000,000 note payable to the Colorado Water Conservation Board. The note was issued for the redemption of a portion of the 1997 Water Revenue Bonds. The note required thirty annual payments of \$462,641 with the payments due June 29th of each year. The loan bears interest at 4%. In 2015, this note payable was refunded by the issuance of the 2015 Water Revenue Refunding bond.

**1999A and 1999B USDA Revenue Bonds**

During 1999, the City issued \$4,800,000 Series 1999A and \$2,000,000 Series 1999B USDA Revenue Bonds. The bonds mature serially and were subject to mandatory sinking fund requirements. The City made semi-annual principal payments in an increasing amount from \$22,000 to \$128,000 for the Series 1999A bonds. The Series 1999B bonds required semi-annual principal payments in an increasing amount from \$9,000 to \$52,000. Payments were due June 1st and December 1st of each year and were payable through June 1, 2039 for both series. Both series bear interest at the rate of 4.5%. In 2015, these notes payable were refunded by the issuance of the 2015 Water Revenue Refunding bond.

**2015 Water Revenue Refunding bond**

During 2015, the City issued a \$14,635,000 Water Revenue Refunding Bond to NBH Bank, N.A. The bond was issued for the redemption of the remaining portion of the 1995 Colorado Water Conservation Board Note Payable, the 1999 Colorado Water Conservation Board Note Payable, and the 1999A and 1999B USDA Revenue Bonds. The note requires annual principal payments due on December 1st and semi-annual interest payments due on June 1st and December 1st of each year. The payments range from \$801,403 to \$1,262,157 annually and are payable through December 2029. The loan bears interest at a rate of 3.130% per annum.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
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The advance refunding reduced total debt service payments over the next 24 years by approximately \$3.0 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.4 million.

***Waste Water Fund***

***1995 Colorado Water Resources and Power Development Authority Note Payable***

During 1995, the City issued a \$9,146,685 note payable to the Colorado Water Resources and Power Development Authority. The note was utilized during the construction of a wastewater treatment facility. The note requires semi-annual principal and interest payments for a period of twenty years. Payments are due February 1st and August 1st of each year. The required payments range from \$115,551 to \$409,834. The note bears interest at the rate of 2% per annum. In 2015, this note payable was paid in full.

***Capital Lease - 2012***

During 2012, the City entered into a capital lease for the purchase of a jet-vacuum truck. The lease requires five annual payments of \$58,374 beginning in May 2012. The lease bears interest at the rate of 3.91% per annum. The City has capitalized \$267,213 of assets under this capital lease.

The total amount due on the capital lease in 2016 is \$58,374, of which \$2,196 is interest.

The annual requirements to amortize all outstanding business-type activities long-term debt, excluding capital lease obligations, are as follows:

Year	Business-type Activities	
	Principal	Interest
2016	\$ 1,874,736	\$ 594,934
2017	1,887,129	524,505
2018	1,978,247	415,889
2019	1,435,925	366,219
2020	920,000	338,742
2021-2025	5,065,000	1,232,532
2026-2029	4,660,000	375,790
<b>Total</b>	<b>\$ 17,821,037</b>	<b>\$ 3,848,611</b>

**9. Pension Plans**

***Fort Morgan Volunteer Fire Department Pension Plan***

***Plan Description.*** The City has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado ("FPPA"). As of December 31, 2014, the Plan has 38 retirees and beneficiaries, 5 inactive, nonretired members, and 28 active current members. FPPA issues an annual, publicly available financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at <http://www.fppaco.org>.

***Benefits Provided.*** Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension. A firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-

**City of Fort Morgan, Colorado**  
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available financial report that includes the assets of the Volunteer Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

The Plan receives contributions from the City's general fund in the amount that agrees to the actuarial study. Contributions are established and may be amended by the City's Pension Board. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2015, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

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

At December 31, 2015, the City reported a liability of \$1,272,149. The net pension liability was measured as of December 31, 2014, and was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2015.

For the year ended December 31, 2015, the City recognized pension expense of \$52,191. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,212	\$ -
Net difference between projected and actual earnings on pension plan investments	7,665	-
	\$ 19,877	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2016	\$ 5,685
2017	5,685
2018	5,685
2019	2,822
	\$ 19,877

**City of Fort Morgan, Colorado**  
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*Actuarial assumptions:* The total pension liability in the January 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.5% per annum
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA.
Withdrawal	Twenty percent (20%) of members age 50 and eligible for a terminated vested benefit which would commence immediately are assumed to withdraw each year.
Marital Status	90% male and female; males are assumed to be three years older than females
Changes in Actuarial Assumptions	None
Changes in Actuarial Methods	None
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Remaining Amortization Period	20 years
Asset valuation Period	5-year smoothed market
Inflation	3.00%
Salary Increases	N/A
Cost-of-living adjustments	None

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.5%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.5%.

*Sensitivity of the City's net pension liability to changes in the discount rate.* The following presents the net pension asset calculated using the discount rate of 7.50 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
Net pension liability/(asset)	\$1,532,879	\$1,272,149	\$1,054,434

*FPPA System Description.* The Fire & Police Pension Association administers an agent multiple employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

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***City of Fort Morgan Police Department Money Purchase Pension Plan***

Plan Description - The money purchase pension plan is a defined contribution plan, with benefits dependent on amounts contributed to the plan and investment earnings. Employees are eligible to participate from the date of employment. All changes to the plan must be approved by the City Council.

Funding Policy - The City and employees each contribute 8% of covered salary, with the rate increased to 10% effective October 1, 2007, to 11.9% effective January 1, 2008 and to 12.8% effective January 1, 2009. The City's contributions vest with the employee at 50% after being with the City 5 years and increase 10% annually thereafter until the employee is 100% vested. Forfeited contributions and related earnings on investments are used to offset the City's current contributions.

During 2015, the City's covered payroll under the plan was \$1,688,064. The City made all required contributions for the plan year. The City has contributed \$92,718, \$183,997, and \$172,743, for the years ended December 31, 2015, 2014, and 2013, respectively.

***City of Fort Morgan Police Old Hire Pension Fund***

*Plan Description.* City police officers that did not transfer to the Money Purchase Pension Plan participate in the City of Fort Morgan Police Old Hire Pension Fund, an agent multiple-employer public retirement program administered by the FPPA. As of December 31, 2014, the Plan has three retired members. FPPA issues an annual, publicly-available financial report that includes the assets of the Old Hire Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

*Benefits Provided.* The defined benefit plan provides retirement benefits for members and beneficiaries. Members are eligible to retire upon completion of 25 years of service or the completion of 20 years of service and reaching 55 years of age. The plan receives contributions from the City in the amount as required by the actuarial valuation for the plan. Contributions are established and may be amended by the City's Pension Board. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2014, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

Benefits in the Old Hire Pension Fund were increased by 2% for all retirees and beneficiaries effective January 1, 2014. This benefit change was reflected in the total pension liability as of December 31, 2014.

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

At December 31, 2015, the City reported a net pension liability of \$697,010. The net pension liability was measured as of December 31, 2014, and was determined by an actuarial valuation as of January 1, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015.

For the year ended December 31, 2015, the City recognized pension expense of \$82,134. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,747	\$ -
City contributions subsequent to the measurement date	88,680	-
	\$ 91,427	\$ -

\$88,680 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2016	\$ 687
2017	687
2018	687
2019	686
	\$ 2,747

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

*Actuarial assumptions.* The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.5%
Retirement Age	Any remaining actives are assumed to retire immediately.
Mortality	Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA.
Changes in Actuarial Assumptions	None
Changes in Actuarial Methods	None
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Remaining Amortization Period	14 years
Asset valuation Period	5-year smoothed market
Inflation	3.00%
Salary Increases	N/A
Cost-of-living adjustments	None

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.5%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.5%.

*Sensitivity of the City's net pension liability to changes in the discount rate.* The following presents the net pension asset calculated using the discount rate of 7.50 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
Net pension liability/(asset)	\$783,250	\$697,010	\$621,333

*FPPA System Description.* The Fire & Police Pension Association administers an agent multiple employer PERS. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

The City provides pension benefits to all of its full-time police officers through either its "Money Purchase Pension Plan" or through the "Old Hire Plan".

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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***General Employee Pension Plan***

*Plan description.* Eligible employees of the City are provided with pensions through the Local Government Division Trust Fund—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 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](http://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 CRS § 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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools ("DPS") Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent 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 percent or 100 percent 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.

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 CRS Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the "DPS" benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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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.

*Contributions.* Eligible employees and the City are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 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:

	Rate
Employer Contribution Rate <sup>1</sup>	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) <sup>1</sup>	(1.02)%
Amount Apportioned to the LGDTF <sup>1</sup>	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 <sup>1</sup>	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 <sup>1</sup>	1.50%
<b>Total Employer Contribution Rate to the LGDTF<sup>1</sup></b>	<b>12.68%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$711,157 for the year ended December 31, 2015.

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

At December 31, 2015, the City reported a liability of \$9,185,307 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The City's proportion of the net pension liability was based on City contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the City's proportion was 1.0248 percent, which was a decrease of .0239 percent from its proportion measured as of December 31, 2013.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

For the year ended December 31, 2015, the City recognized pension expense of \$881,105. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,845
Net difference between projected and actual earnings on pension plan investments	498,121	-
Change in proportionate share	-	110,163
District contributions subsequent to the measurement date	711,157	-
	\$ 1,209,278	\$ 112,008

\$711,157 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2016	\$ 36,335
2017	100,718
2018	124,530
2019	124,530
	\$ 386,113

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and "DPS" Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using 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 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 analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return *</b>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

\* 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 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, 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 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. There was no change in the discount rate from the prior measurement date.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.*

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
City’s proportionate share of the net pension liability	\$15,000,616	\$9,185,308	\$4,337,045

*Pension plan fiduciary net position.* Detailed information about the 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](http://www.copera.org/investments/pera-financial-reports).

**10. Post Employment Healthcare Benefits**

The City contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer post-employment healthcare plan administered by PERA. The HCTF provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. The report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado, 80203.

The City is required to contribute 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established by Title 24, Article 51, Part 4 of the CRS, as amended. The City made all required contributions for the year ended December 31, 2015. The City has contributed \$57,206, \$57,288, and \$57,036 for the years ended December 31, 2015, 2014 and 2013, respectively.

**11. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the City carries commercial insurance. The City consolidates all of its risk management activities into the Self Insurance Fund. Premiums are paid into the Risk Related Insurance Fund and are available to pay commercial insurance premiums, claims, and administrative costs of insurance related activities. The amounts of settlements have not exceeded insurance coverage the past three years, nor were there any significant changes in insurance coverage.

**12. Contingencies**

***Grants and Contributions***

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2015, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

**City of Fort Morgan, Colorado**  
**Notes to Financial Statements**  
**December 31, 2015**

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**13. Compliance**

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the City under specified voting requirements by the entire electorate.

On November 7, 1995, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1996 and subsequent years, notwithstanding the provisions of the Amendment.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). At December 31, 2015 the City has restricted \$582,669 in the General Fund for emergencies as defined under Article X, Section 20 of the Colorado Constitution.

The City believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

**14. Subsequent Events**

The City evaluated subsequent events through June 21, 2016, the date these financial statements were available to be issued. There were no subsequent events that required recognition or additional disclosure in these financial statements.

## Required Supplementary Information

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**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,525,714	\$ 175,714
Specific ownership taxes	140,000	140,000	170,280	30,280
Sales taxes	3,800,000	3,800,000	5,085,280	1,285,280
Use taxes	60,000	60,000	67,947	7,947
Franchise taxes	79,000	79,000	95,484	16,484
<b>Total taxes</b>	<b>5,429,000</b>	<b>5,429,000</b>	<b>6,944,705</b>	<b>1,515,705</b>
Licenses and permits				
Building permits	25,000	25,000	31,586	6,586
Liquor licenses	10,500	10,500	5,550	(4,950)
Other licenses and permits	11,520	11,520	12,726	1,206
<b>Total licenses and permits</b>	<b>47,020</b>	<b>47,020</b>	<b>49,862</b>	<b>2,842</b>
Intergovernmental				
Road and bridge	270,000	270,000	374,178	104,178
Motor vehicle fees	37,500	37,500	57,312	19,812
Severance and mineral taxes	60,800	60,800	99,992	39,192
Cigarette taxes	30,000	30,000	32,613	2,613
In lieu of taxes	3,760,000	3,760,000	3,803,346	43,346
Federal grants	-	0	1,000	1,000
State grants	91,860	91,860	69,994	(21,866)
Other intergovernmental revenues	129,560	129,560	105,318	(24,242)
<b>Total intergovernmental</b>	<b>4,379,720</b>	<b>4,379,720</b>	<b>4,543,753</b>	<b>164,033</b>
Charges for services				
Recreation fees	134,800	134,800	184,998	50,198
Cemetery fees	55,400	55,400	87,970	32,570
Other charges for services	68,800	68,800	24,494	(44,306)
<b>Total charges for services</b>	<b>259,000</b>	<b>259,000</b>	<b>297,462</b>	<b>38,462</b>
Fines and forfeitures				
Traffic fines	60,000	60,000	67,994	7,994
Parking fines	15,000	15,000	20,126	5,126
Other fines and forfeitures	120,700	120,700	150,181	29,481
<b>Total fines and forfeitures</b>	<b>195,700</b>	<b>195,700</b>	<b>238,301</b>	<b>42,601</b>
Miscellaneous revenues				
Rents	-	-	13,741	13,741
Airport fees	3,500	3,500	7,161	3,661
Donations	2,000	2,000	17,153	15,153
Other revenues	7,200	7,200	9,698	2,498
<b>Total miscellaneous revenues</b>	<b>12,700</b>	<b>12,700</b>	<b>47,753</b>	<b>35,053</b>
Earnings on investments	10,000	10,000	17,617	7,617
<b>Total revenues</b>	<b>10,333,140</b>	<b>10,333,140</b>	<b>12,139,453</b>	<b>1,806,313</b>

*Continued.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund (Continued)**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
Current:				
General government				
Mayor and council	53,620	53,620	67,302	(13,682)
City manager	179,371	179,371	164,633	14,738
Finance	78,720	78,720	78,451	269
City clerk	63,127	63,127	54,216	8,911
City attorney	64,342	64,342	61,882	2,460
Human resources	120,911	120,911	92,734	28,177
Other general government	429,061	429,061	432,306	(3,245)
Total general government	989,152	989,152	951,524	37,628
Public safety				
Police	3,282,781	3,282,781	2,864,259	418,522
Fire	575,464	575,464	603,774	(28,310)
Building inspections	284,543	284,543	192,375	92,168
Municipal court	227,154	227,154	204,449	22,705
Total public safety	4,369,942	4,369,942	3,864,857	505,085
Community development and public works				
Airport	87,138	87,138	64,180	22,958
Street	1,268,724	1,268,724	1,129,483	139,241
Total community development and public works	1,355,862	1,355,862	1,193,663	162,199
Parks and recreation				
Recreation/senior center	591,317	591,317	510,701	80,616
Parks	1,405,655	1,405,655	1,287,973	117,682
Library/museum	593,712	593,712	560,944	32,768
Community services	112,487	112,487	123,463	(10,976)
Total parks and recreation	2,703,171	2,703,171	2,483,081	220,090
Total expenditures	9,418,127	9,418,127	8,493,125	925,002
<b>Excess of revenues over expenditures</b>	915,013	915,013	3,646,328	2,731,315
<b>Other financing uses</b>				
Transfers out	(334,394)	(334,394)	(342,500)	(8,106)
Total other financing uses	(334,394)	(334,394)	(342,500)	(8,106)
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ 580,619</b>	<b>\$ 580,619</b>	3,303,828	<b>\$ 2,723,209</b>
Fund balance at beginning of year			13,857,513	
Fund balance at end of year			<u>\$ 17,161,341</u>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Capital Improvement Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Sales taxes	\$ 1,850,000	\$ 1,850,000	\$ 2,504,813	\$ 654,813
Use taxes	20,000	20,000	33,170	13,170
Total taxes	1,870,000	1,870,000	2,537,983	667,983
Intergovernmental				
Highway users taxes	312,000	312,000	338,498	26,498
Federal grants	-	-	3,484,831	3,484,831
State grants	250,000	250,000	194,017	(55,983)
Total intergovernmental	562,000	562,000	4,017,346	3,455,346
Miscellaneous revenues				
Other revenues	500	500	277,333	276,833
Total miscellaneous revenues	500	500	277,333	276,833
Earnings on investments	50	50	9	(41)
Total revenues	2,432,550	2,432,550	6,832,671	4,400,121
<b>Expenditures</b>				
Debt service	42,000	42,000	41,997	3
Capital outlay	3,140,350	8,640,350	8,326,179	314,171
Total expenditures	3,182,350	8,682,350	8,368,176	314,174
<b>Excess (deficiency) of revenues over expenditures</b>				
	(749,800)	(6,249,800)	(1,535,505)	4,714,295
<b>Other financing sources</b>				
Transfers in	750,000	750,000	-	(750,000)
Total other financing sources (uses)	750,000	750,000	-	(750,000)
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>				
	\$ 200	\$ (5,499,800)	(1,535,505)	\$ 3,964,295
<b>Fund balance at beginning of year</b>			<u>3,290,457</u>	
<b>Fund balance at end of year</b>			<u>\$ 1,754,952</u>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**PERA - Local Government Division Trust Fund**  
**Last Ten Years**

	2015	2014
<b>PERA - Local Government Division Trust Fund</b>		
City's proportion of the net pension liability	\$ 9,185,308	\$ 8,630,139
City's proportionate share of the net pension liability	1.02479254%	1.04872023%
City's covered-employee payroll	\$ 5,614,824	\$ 5,592,809
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.59%	154.31%
Plan fiduciary net position as a percentage of the total pension	80.70%	77.66%

\* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

Information for the prior eight years was not available to report.

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan**  
**Schedule of City Contributions**  
**PERA - Local Government Division Trust Fund**  
**Last Ten Years**

	2015	2014	2013	2012
<b>PERA - Local Government Division Trust Fund</b>				
Statutorily Required Contribution	\$ 711,157	\$ 711,960	\$ 709,168	\$ 740,544
Contributions in Relation to the Statutorily Required Contribution	711,157	711,960	709,168	740,544
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,608,494	\$ 5,614,826	\$ 5,592,808	\$ 5,840,252
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%	12.68%

2011	2010	2009	2008	2007	2006
\$ 731,229	\$ 798,674	\$ 747,808	\$ 673,448	\$ 592,802	\$ 552,381
731,229	798,674	747,808	673,448	592,802	552,381
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,766,790	\$ 6,298,691	\$ 6,348,115	\$ 6,189,779	\$ 5,939,900	\$ 5,826,804
12.68%	12.68%	11.78%	10.88%	9.98%	9.48%

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Changes in Net Pension Liability/(Asset)**  
**and Related Ratios - Volunteer Firefighters' Pension Plan**

Last Ten Fiscal Years

Measurement Period Ending December 31,	2014
<b>Total Pension Liability</b>	
Service cost	\$ 8,248
Interest on the total pension liability	172,901
Benefit changes	-
Difference between expected and actual experience	15,981
Changes of assumptions	-
Benefit payments	(186,150)
<b>Net Change in Total Pension Liability</b>	<b>10,980</b>
Total Pension Liability - Beginning	2,392,693
<b>Total Pension Liability - Ending</b>	<b>\$ 2,403,673</b>
<b>Plan Fiduciary Net Position</b>	
Employer contribution	\$ -
Pension plan net investment income	74,859
Benefit payments	(186,150)
Pension plan administrative expenses	(2,096)
State of Colorado supplemental discretionary payment	52,299
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(61,088)</b>
Plan Fiduciary Net Position - Beginning	1,192,612
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 1,131,524</b>
 Net Pension Liability/(Asset) - Ending	 1,272,149
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.07%
Covered Employee Payroll	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A
Information for measurement dates of December 31, 2005 through 2013 was not available to report.	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Changes in Net Pension Liability/(Asset)**  
**and Related Ratios - Old Hire Pension Plan**

Last Ten Fiscal Years

Measurement Period Ending December 31,	2014
<b>Total Pension Liability</b>	
Service cost	\$ -
Interest on the total pension liability	87,774
Benefit changes	26,685
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(144,297)
<b>Net Change in Total Pension Liability</b>	<b>(29,838)</b>
<b>Total Pension Liability - Beginning</b>	<b>1,241,166</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 1,211,328</b>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 81,155
Employee contributions	-
Pension plan net investment income	35,113
Benefit payments	(144,297)
Pension plan administrative expenses	(5,135)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(33,164)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>547,482</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 514,318</b>
Net Pension Liability/(Asset) - Ending	697,010
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.46%
Covered Employee Payroll	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A
Information for measurement dates of December 31, 2005 through 2013 was not available to report.	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Contributions**  
**Volunteer Firefighters' Pension Plan**

Last Ten Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2006	\$ 91,463	\$ 91,463	\$ -	N/A	N/A
2007	144,604	144,604	-	N/A	N/A
2008	73,494	73,494	-	N/A	N/A
2009	89,541	89,541	-	N/A	N/A
2010	108,574	108,574	-	N/A	N/A
2011	108,574	108,574	-	N/A	N/A
2012	108,574	108,574	-	N/A	N/A
2013	108,574	108,574	-	N/A	N/A
2014	125,891	52,299	73,592	N/A	N/A
2015	125,891	-	125,891	N/A	N/A

*See accompanying Independent Auditor's Report.*

**Notes to Schedule of Contributions:**

**Actual Contribution:**

Amounts include both employer contributions and the State of Colorado Supplemental Discretionary Payment.

**Valuation Date:**

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2013, determines the contribution amounts for 2014 and 2015.

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open *
Remaining Amortization Period	20 years *
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA

\* Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

**City of Fort Morgan, Colorado**  
**Schedule of Contributions**  
**Old Hire Pension Plan**

Last Ten Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2006	\$ 61,858	\$ 61,858	\$ -	N/A	N/A
2007	76,515	76,515	-	N/A	N/A
2008	76,515	76,515	-	N/A	N/A
2009	184,801	184,801	-	N/A	N/A
2010	73,322	73,322	-	N/A	N/A
2011	92,988	73,272	19,716	N/A	N/A
2012	92,988	112,988	(20,000)	N/A	N/A
2013	79,953	81,115	(1,162)	N/A	N/A
2014	81,155	81,155	-	N/A	N/A
2015	88,680	88,680	-	N/A	N/A

*See accompanying Independent Auditor's Report.*

**Notes to Schedule of Contributions:**

***Valuation Date:***

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2012, determines the contribution amounts for 2013 and 2014.

***Methods and assumptions used to determine contribution rates:***

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open *
Remaining Amortization Period	14 years *
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	Any remaining actives are assumed to retire immediately.
Mortality	Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA

\* Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

## Other Supplementary Information

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**City of Fort Morgan, Colorado**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2015**

	Conservation Trust Fund	Police Forfeiture Fund	Golf Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 385,426	\$ -	\$ 15,332	\$ 400,758
Restricted cash and cash equivalents	-	42,724	-	42,724
Receivables	-	-	141	141
Prepaid items	-	-	1,438	1,438
Inventories	-	-	21,323	21,323
<b>Total assets</b>	<b>\$ 385,426</b>	<b>\$ 42,724</b>	<b>\$ 38,234</b>	<b>\$ 466,384</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 5,371	\$ 5,371
Accrued payroll expenses	-	-	18,858	18,858
Other liabilities	-	-	2,810	2,810
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>27,039</b>	<b>27,039</b>
<b>Deferred inflows of resources</b>				
Unearned revenue	-	-	11,195	11,195
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>11,195</b>	<b>11,195</b>
<b>Fund balances</b>				
Nonspendable	-	-	22,761	22,761
Restricted for:				
Parks and recreation	385,426	-	-	385,426
Public safety	-	42,724	-	42,724
Unassigned	-	-	(22,761)	(22,761)
<b>Total fund balances</b>	<b>385,426</b>	<b>42,724</b>	<b>-</b>	<b>428,150</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 385,426</b>	<b>\$ 42,724</b>	<b>\$ 38,234</b>	<b>\$ 466,384</b>

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2015**

	Conservation Trust Fund	Police Forfeiture Fund	Golf Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Intergovernmental	\$ 108,986	\$ -	\$ -	\$ 108,986
Charges for services	-	-	446,663	446,663
Earnings on investments	-	65	-	65
Miscellaneous	-	-	4,435	4,435
<b>Total revenues</b>	<b>108,986</b>	<b>65</b>	<b>451,098</b>	<b>560,149</b>
<b>Expenditures</b>				
Current:				
Parks and recreation and golf	-	-	793,598	793,598
Capital outlay	66,514	8,845	-	75,359
<b>Total expenditures</b>	<b>66,514</b>	<b>8,845</b>	<b>793,598</b>	<b>868,957</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>42,472</b>	<b>(8,780)</b>	<b>(342,500)</b>	<b>(308,808)</b>
<b>Other financing sources</b>				
Transfers in	-	-	342,500	342,500
<b>Net change in fund balance</b>	<b>42,472</b>	<b>(8,780)</b>	<b>-</b>	<b>33,692</b>
<b>Fund balance at beginning of year</b>	<b>342,954</b>	<b>51,504</b>	<b>-</b>	<b>394,458</b>
<b>Fund balance at end of year</b>	<b>\$ 385,426</b>	<b>\$ 42,724</b>	<b>\$ -</b>	<b>\$ 428,150</b>

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Conservation Trust Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental				
State grants	\$ 100,000	\$ 100,000	\$ 108,986	\$ 8,986
Total intergovernmental	100,000	100,000	108,986	8,986
Total revenues	100,000	100,000	108,986	8,986
<b>Expenditures</b>				
Capital outlay	90,000	90,000	66,514	23,486
Total expenditures	90,000	90,000	66,514	23,486
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>42,472</b>	<b>\$ 32,472</b>
Fund balance at beginning of year			342,954	
Fund balance at end of year			<u>\$ 385,426</u>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Police Forfeiture Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Earnings on investments	\$ 100	\$ 100	\$ 65	\$ (35)
<b>Total revenues</b>	<b>100</b>	<b>100</b>	<b>65</b>	<b>(35)</b>
<b>Expenditures</b>				
Capital outlay	9,500	9,500	8,845	655
<b>Total expenditures</b>	<b>9,500</b>	<b>9,500</b>	<b>8,845</b>	<b>655</b>
<b>Deficiency of revenues over expenditures</b>	<b>(9,400)</b>	<b>(9,400)</b>	<b>(8,780)</b>	<b>620</b>
<b>Other financing sources</b>				
Transfers in	9,400	9,400	-	(9,400)
<b>Excess (deficiency) of expenditures over revenues and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(8,780)</b>	<b>\$ (8,780)</b>
<b>Fund balance at beginning of year</b>			<b>51,504</b>	
<b>Fund balance at end of year</b>			<b>\$ 42,724</b>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Golf Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services				
Golf daily fees	\$ 140,000	\$ 140,000	\$ 125,381	\$ (14,619)
Golf annual fees	107,000	107,000	99,215	(7,785)
Golf driving range	16,000	16,000	14,372	(1,628)
Golf snack shop	65,000	65,000	58,438	(6,562)
Golf pro shop sales	80,000	80,000	76,173	(3,827)
Golf carts and storage	99,750	99,750	70,133	(29,617)
Other charges for services	6,500	6,500	2,951	(3,549)
<b>Total charges for services</b>	<b>514,250</b>	<b>514,250</b>	<b>446,663</b>	<b>(67,587)</b>
Miscellaneous revenues				
Other revenues	15,500	15,500	4,435	(11,065)
<b>Total miscellaneous revenues</b>	<b>15,500</b>	<b>15,500</b>	<b>4,435</b>	<b>(11,065)</b>
<b>Total revenues</b>	<b>529,750</b>	<b>529,750</b>	<b>451,098</b>	<b>(78,652)</b>
<b>Expenditures</b>				
Current:				
Parks and recreation and golf	864,144	864,144	793,598	70,546
<b>Total parks and recreation</b>	<b>864,144</b>	<b>864,144</b>	<b>793,598</b>	<b>70,546</b>
<b>Total expenditures</b>	<b>864,144</b>	<b>864,144</b>	<b>793,598</b>	<b>70,546</b>
Excess of expenditures over revenues	(334,394)	(334,394)	(342,500)	(8,106)
<b>Other financing sources</b>				
Transfers in	334,394	334,394	342,500	8,106
<b>Excess of expenditures over revenues and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**December 31, 2015**

	Enterprise Funds		Total
	Sanitation Fund	Fiber Network Fund	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,595,766	\$ 10,133	\$ 1,605,899
Accounts receivable	121,064	-	121,064
Prepaid items	79	-	79
<b>Total current assets</b>	<b>1,716,909</b>	<b>10,133</b>	<b>1,727,042</b>
<b>Noncurrent assets</b>			
Property and equipment	1,566,517	416,780	1,983,297
Accumulated depreciation	(901,199)	(232,145)	(1,133,344)
<b>Total noncurrent assets</b>	<b>665,318</b>	<b>184,635</b>	<b>849,953</b>
<b>Total assets</b>	<b>2,382,227</b>	<b>194,768</b>	<b>2,576,995</b>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources relating to pensions	36,279	-	36,279
<b>Liabilities</b>			
Accounts payable	28,036	-	28,036
Accrued compensation and related liabilities	12,536	-	12,536
Net pension liability	275,559	-	275,559
<b>Total liabilities</b>	<b>316,131</b>	<b>-</b>	<b>316,131</b>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources relating to pensions	3,360	-	3,360
<b>Net position</b>			
Net investment in capital assets	665,318	184,635	849,953
Unrestricted	1,433,697	10,133	1,443,830
<b>Total net position</b>	<b>\$ 2,099,015</b>	<b>\$ 194,768</b>	<b>\$ 2,293,783</b>

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**Year Ended December 31, 2015**

	Enterprise Funds		Total
	Sanitation Fund	Fiber Network Fund	
<b>Operating revenues</b>			
Charges for services	\$ 1,145,666	\$ -	\$ 1,145,666
<b>Operating expenses</b>			
Transmission, distribution and collection	747,577	-	747,577
In lieu of fees	47,708	-	47,708
Administrative support allocation	132,355	-	132,355
Depreciation	121,805	10,025	131,830
<b>Total operating expenses</b>	<b>1,049,445</b>	<b>10,025</b>	<b>1,059,470</b>
<b>Operating income (loss)</b>	<b>96,221</b>	<b>(10,025)</b>	<b>86,196</b>
<b>Nonoperating revenues (expenses)</b>			
Earnings on investments	2,513	-	2,513
<b>Total other revenues (expenses)</b>	<b>2,513</b>	<b>-</b>	<b>2,513</b>
<b>Change in net position</b>	<b>98,734</b>	<b>(10,025)</b>	<b>88,709</b>
<b>Net position at beginning of year</b>	<b>2,237,826</b>	<b>204,793</b>	<b>2,442,619</b>
Restatement for change in accounting principle (Note 2)	(237,545)	-	(237,545)
<b>Net position at end of year</b>	<b>\$ 2,099,015</b>	<b>\$ 194,768</b>	<b>\$ 2,293,783</b>

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended December 31, 2015**

	Enterprise Funds		Total
	Sanitation Fund	Fiber Network Fund	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,149,154	\$ -	\$ 1,149,154
Cash payments to suppliers	(751,332)	-	(751,332)
Cash payments to employees	(265,252)	-	(265,252)
<b>Net cash flows from operating activities</b>	<b>132,570</b>	<b>-</b>	<b>132,570</b>
<b>Cash flows from non-capital financing activities</b>			
Other income	-	-	-
<b>Net cash flows from non-capital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>			
Acquisitions of capital assets	-	-	-
<b>Net cash flows from capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Earnings on investments	2,513	-	2,513
<b>Net cash flows from investing activities</b>	<b>2,513</b>	<b>-</b>	<b>2,513</b>
<b>Net change in cash and cash equivalents</b>	<b>135,083</b>	<b>-</b>	<b>135,083</b>
Cash and cash equivalents at beginning of year	1,460,683	10,133	1,470,816
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,595,766</b>	<b>\$ 10,133</b>	<b>\$ 1,605,899</b>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>			
Operating income (loss)	\$ 96,221	\$ (10,025)	\$ 86,196
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	121,805	10,025	131,830
(Increase) decrease in operating assets:			
Accounts receivable	3,488	-	3,488
Prepaid items	(79)	-	(79)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued liabilities	(93,960)	-	(93,960)
Net pension liability and related deferred inflows and outflows of resources	5,095	-	5,095
<b>Net cash flows from operating activities</b>	<b>\$ 132,570</b>	<b>\$ -</b>	<b>\$ 132,570</b>

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Electric Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for services	\$ 23,434,130	\$ 23,434,130	\$ 21,806,540	\$ (1,627,590)
<b>Expenditures</b>				
Transmission, distribution and collection	2,330,375	2,330,375	1,685,071	645,304
Commodities	17,820,000	17,820,000	16,358,904	1,461,096
General administration	571,298	571,298	817,351	(246,053)
In lieu of fees	2,785,980	2,785,980	2,871,314	(85,334)
Capital outlay	1,740,000	1,740,000	77,983	1,662,017
<b>Total expenditures</b>	<b>25,247,653</b>	<b>25,247,653</b>	<b>21,810,623</b>	<b>3,437,030</b>
Excess (deficiency) of operating revenues over expenditures	(1,813,523)	(1,813,523)	(4,083)	1,809,440
<b>Other revenues</b>				
Earnings on investments	5,000	5,000	36,960	31,960
Rents	28,600	28,600	28,680	80
Other revenues	1,779,923	1,779,923	281,385	(1,498,538)
<b>Total other revenues</b>	<b>1,813,523</b>	<b>1,813,523</b>	<b>347,025</b>	<b>(1,466,498)</b>
<b>Change in net position - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>342,942</b>	<b>\$ 342,942</b>
<b>Reconciliation to GAAP basis</b>				
Capital outlay			77,983	
Depreciation			(802,197)	
<b>Change in net position - GAAP basis</b>			<b>(381,272)</b>	
<b>Net position at beginning of year</b>			<b>20,541,369</b>	
<b>Restatement for change in accounting principle (Note 2)</b>			<b>(1,821,181)</b>	
<b>Net position at end of year</b>			<b>\$ 18,338,916</b>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Water Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for services	\$ 7,235,000	\$ 7,235,000	\$ 7,720,238	\$ 485,238
<b>Expenditures</b>				
Transmission, distribution and collection	954,390	954,390	1,032,069	(77,679)
Treatment	2,202,937	2,202,937	1,998,967	203,970
General administration	413,172	413,172	382,418	30,754
Debt service	767,375	767,375	687,316	80,059
Bond issuance costs	-	-	166,513	(166,513)
Capital outlay	2,135,000	2,135,000	551,827	1,583,173
<b>Total expenditures</b>	<b>6,472,874</b>	<b>6,472,874</b>	<b>4,819,110</b>	<b>1,653,764</b>
Excess (deficiency) of operating revenues over expenditures	762,126	762,126	2,901,128	2,139,002
<b>Other revenues</b>				
Earnings on investments	3,000	3,000	47,654	44,654
Other revenues	35,000	35,000	14,546	(20,454)
<b>Total other revenues</b>	<b>38,000</b>	<b>38,000</b>	<b>62,200</b>	<b>24,200</b>
<b>Change in net position before contributions</b>	<b>800,126</b>	<b>800,126</b>	<b>2,963,328</b>	<b>2,163,202</b>
<b>Capital contributions</b>				
Plant investment fees	255,000	255,000	301,313	46,313
<b>Change in net position - budgetary basis</b>	<b>\$ 1,055,126</b>	<b>\$ 1,055,126</b>	<b>3,264,641</b>	<b>\$ 2,209,515</b>
<b>Reconciliation to GAAP basis</b>				
Capital outlay			551,827	
Depreciation			(1,260,205)	
<b>Change in net position - GAAP basis</b>			<b>2,556,263</b>	
<b>Net position at beginning of year</b>			<b>35,070,710</b>	
<b>Restatement for change in accounting principle (Note 2)</b>			<b>(950,182)</b>	
<b>Net position at end of year</b>			<b>\$ 36,676,791</b>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Gas Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for services	\$ 6,594,420	\$ 6,594,420	\$ 4,478,326	\$ (2,116,094)
<b>Expenditures</b>				
Transmission, distribution and collection	733,174	733,174	667,715	65,459
Commodities	4,000,000	4,000,000	2,442,173	1,557,827
General administration	376,361	376,361	351,422	24,939
In lieu of fees	916,835	916,835	884,324	32,511
Capital outlay	45,000	45,000	39,838	5,162
<b>Total expenditures</b>	<b>6,071,370</b>	<b>6,071,370</b>	<b>4,385,472</b>	<b>1,685,898</b>
Excess (deficiency) of operating revenues over expenditures	523,050	523,050	92,854	(430,196)
<b>Other revenues</b>				
Earnings on investments	7,000	7,000	10,397	3,397
Other revenues	30,000	30,000	59,298	29,298
<b>Total other revenues</b>	<b>37,000</b>	<b>37,000</b>	<b>69,695</b>	<b>32,695</b>
<b>Change in net position - budgetary basis</b>	<b>\$ 560,050</b>	<b>\$ 560,050</b>	<b>162,549</b>	<b>\$ (397,501)</b>
<b>Reconciliation to GAAP basis</b>				
Capital outlay			39,838	
Depreciation			(156,267)	
<b>Change in net position - GAAP basis</b>			<b>46,120</b>	
<b>Net position at beginning of year</b>			<b>6,565,985</b>	
<b>Restatement for change in accounting principle (Note 2)</b>			<b>(475,091)</b>	
<b>Net position at end of year</b>			<b>\$ 6,137,014</b>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Waste Water Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for services	\$ 2,075,000	\$ 2,075,000	\$ 2,126,197	\$ 51,197
<b>Expenditures</b>				
Transmission, distribution and collection	414,522	414,522	427,483	(12,961)
Treatment	927,064	1,127,064	1,065,791	61,273
Administrative support allocation	273,080	273,080	260,866	12,214
Debt service	41,710	41,710	32,527	9,183
Capital outlay	855,000	855,000	872,558	(17,558)
<b>Total expenditures</b>	<b>2,511,376</b>	<b>2,711,376</b>	<b>2,659,225</b>	<b>52,151</b>
Excess (deficiency) of operating revenues over expenditures	(436,376)	(636,376)	(533,028)	103,348
<b>Other revenues</b>				
Earnings on investments	7,000	7,000	57,507	50,507
Intergovernmental	265,376	265,376	140,475	(124,901)
Other revenues	-	-	69,049	69,049
<b>Total other revenues</b>	<b>272,376</b>	<b>272,376</b>	<b>267,031</b>	<b>(5,345)</b>
<b>Change in net position before contributions</b>	<b>(164,000)</b>	<b>(364,000)</b>	<b>(265,997)</b>	<b>98,003</b>
<b>Capital contributions</b>				
Plant investment fees	164,000	164,000	49,333	(114,667)
<b>Change in net position - budgetary basis</b>	<b>\$ -</b>	<b>\$ (200,000)</b>	<b>(216,664)</b>	<b>\$ (16,664)</b>
<b>Reconciliation to GAAP basis</b>				
Capital outlay			872,558	
Loss on sale of capital assets			(17,987)	
Depreciation			(525,624)	
<b>Change in net position - GAAP basis</b>			<b>112,283</b>	
<b>Net position at beginning of year</b>			<b>15,667,040</b>	
<b>Restatement for change in accounting principle (Note 2)</b>			<b>(554,273)</b>	
<b>Net position at end of year</b>			<b>\$ 15,225,050</b>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Sanitation Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for services	\$ 1,147,000	\$ 1,147,000	\$ 1,145,666	\$ (1,334)
<b>Expenditures</b>				
Transmission, distribution and collection	811,529	811,529	747,577	63,952
In lieu of fees	57,185	57,185	47,708	9,477
Administrative support allocation	146,464	146,464	132,355	14,109
Total expenditures	1,015,178	1,015,178	927,640	87,538
Deficiency of operating revenues over expenditures	131,822	131,822	218,026	86,204
<b>Other revenues</b>				
Earnings on investments	500	500	2,513	2,013
Total other revenues	500	500	2,513	2,013
<b>Change in net position - budgetary basis</b>	<b>\$ 132,322</b>	<b>\$ 132,322</b>	<b>220,539</b>	<b>\$ 88,217</b>
<b>Reconciliation to GAAP basis</b>				
Depreciation			(121,805)	
Change in net position - GAAP basis			98,734	
Net position at beginning of year			2,237,826	
Restatement for change in accounting principle (Note 2)			(237,545)	
Net position at end of year			<u>\$ 2,099,015</u>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Self Insurance Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
Charges for services	\$ 3,194,400	\$ 3,194,400	3,126,165	\$ (68,235)
Miscellaneous revenue	398,600	398,600	46,633	(351,967)
<b>Total operating revenues</b>	<b>3,593,000</b>	<b>3,593,000</b>	<b>3,172,798</b>	<b>(420,202)</b>
<b>Expenditures</b>				
Self insurance premiums	748,000	748,000	1,127,890	(379,890)
Self insurance claims	2,742,000	2,742,000	1,696,671	1,045,329
General administration	107,000	107,000	118,801	(11,801)
<b>Total expenditures</b>	<b>3,597,000</b>	<b>3,597,000</b>	<b>2,943,362</b>	<b>653,638</b>
Excess (deficiency) of operating revenues over expenditures	(4,000)	(4,000)	229,436	233,436
<b>Other revenues</b>				
Earnings on investments	4,000	4,000	10,730	6,730
<b>Total other revenues</b>	<b>4,000</b>	<b>4,000</b>	<b>10,730</b>	<b>6,730</b>
<b>Change in net position - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>240,166</b>	<b>\$ 240,166</b>
<b>Net position at beginning of year</b>			<b>3,433,182</b>	
<b>Net position at end of year</b>			<b>\$ 3,673,348</b>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Changes in Fiduciary Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Perpetual Care Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Additions</b>				
Charges for services	\$ 9,000	\$ 9,000	\$ 14,170	\$ 5,170
Earnings on investments	4,000	4,000	2,468	(1,532)
<b>Total additions</b>	<b>13,000</b>	<b>13,000</b>	<b>16,638</b>	<b>3,638</b>
<b>Deductions</b>				
Transfers out	(4,000)	(4,000)	-	4,000
<b>Total deductions</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>	<b>4,000</b>
<b>Change in fiduciary net position - budgetary basis</b>	<b>\$ 9,000</b>	<b>\$ 9,000</b>	<b>16,638</b>	<b>\$ 7,638</b>
<b>Fiduciary net position at beginning of year</b>			<u>616,912</u>	
<b>Fiduciary net position at end of year</b>			<u>\$ 633,550</u>	

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan, Colorado**  
**Schedule of Changes in Fiduciary Net Position**  
**Budget and Actual (Non-GAAP Basis)**  
**Riverview Commons GID Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Additions</b>				
Taxes	\$ 135,000	\$ 135,000	\$ 29,908	\$ (105,092)
Miscellaneous revenue	-	-	17,500	17,500
<b>Total additions</b>	<b>135,000</b>	<b>135,000</b>	<b>47,408</b>	<b>(87,592)</b>
<b>Deductions</b>				
Community development and public works	(135,000)	(135,000)	(34,371)	100,629
<b>Total deductions</b>	<b>(135,000)</b>	<b>(135,000)</b>	<b>(34,371)</b>	<b>100,629</b>
<b>Change in fiduciary net position - budgetary basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>13,037</b>	<b>\$ 13,037</b>
<b>Fiduciary net position at beginning of year</b>			<b>(106,559)</b>	
<b>Fiduciary net position at end of year</b>			<b>\$ (93,522)</b>	

*See accompanying Independent Auditor's Report.*

## State Compliance Section

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: City of Fort Morgan
	YEAR ENDING : December 2015
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Christina R. Bostron      Accounting Manager Phone: 970.542.3964

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

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

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

ITEM	AMOUNT
<b>A. Receipts from local sources:</b>	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	2,807,896
3. Other local imposts (from page 2)	544,458
4. Miscellaneous local receipts (from page 2)	348,462
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	3,700,816
<b>B. Private Contributions</b>	
<b>C. Receipts from State government</b> (from page 2)	510,738
<b>D. Receipts from Federal Government</b> (from page 2)	0
<b>E. Total receipts (A.7 + B + C + D)</b>	4,211,554

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT
<b>A. Local highway disbursements:</b>	
1. Capital outlay (from page 2)	3,003,667
2. Maintenance:	346,977
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	34,618
c. Other: Street Lighting	2,043
d. Total (a. through c.)	36,661
4. General administration & miscellaneous	745,438
5. Highway law enforcement and safety	78,811
6. Total (1 through 5)	4,211,554
<b>B. Debt service on local obligations:</b>	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
<b>C. Payments to State for highways</b>	
<b>D. Payments to toll facilities</b>	
<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	4,211,554

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		4,211,554	4,211,554		0

**Notes and Comments:**

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2015

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	64,128
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	544,458	g. Other Misc. Receipts : Linda Street	277,074
6. Total (1. through 5.)	544,458	h. Other: Highway Maintenance	7,260
c. Total (a. + b.)	544,458	i. Total (a. through h.)	348,462
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	338,498	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	39,635	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify): Cig/Severence	132,605	f. Other Federal	
f. Total (a. through e.)	172,240	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	510,738	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		8,243	8,243
c. Construction:			
(1). New Facilities		2,147,954	2,147,954
(2). Capacity Improvements			0
(3). System Preservation		847,470	847,470
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	2,995,424	2,995,424
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	3,003,667	3,003,667
			(Carry forward to page 1)

Notes and Comments:

## Reports to Governmental Agencies

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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and Members  
of the City Council  
City of Fort Morgan, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fort Morgan, Colorado (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 21, 2016.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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



### **Purpose of this Report**

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

*Anton Collins Mitchell LLP*

Greeley, Colorado  
June 21, 2016



## Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members  
of the City Council  
City of Fort Morgan, Colorado

### Report on Compliance for Each Major Federal Program

We have audited the City of Fort Morgan, Colorado's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

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

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

### *Opinion on Each Major Federal Program*

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.



### ***Report on Internal Control over Compliance***

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

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

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

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

*Anton Collins Mitchell LLP*

Greeley, Colorado  
June 21, 2016

**City of Fort Morgan**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2015**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Programs

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**City of Fort Morgan**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2015**

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**Section I - Financial Statement Findings**

No findings were identified for financial statements.

**Section II - Federal Award Findings and Questioned Costs**

No findings were identified for federal awards.

**City of Fort Morgan, Colorado**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>2015 Expenditures</b>
<b>Department of Transportation Federal Aviation Administration</b>			
Passed through Colorado Department of Transportation			
Airport Improvement Programs	20.106	14-FFM-01	\$ 3,318,487
<b>Total Department of Transportation Federal Aviation Administration</b>			<b>3,318,487</b>
<b>National Endowment for the Humanities</b>			
Passed through Colorado Department of Education			
Grants to States	45.310	N/A	1,000
<b>Total National Endowment for the Humanities</b>			<b>1,000</b>
<b>Department of Homeland Security</b>			
Passed through Colorado Department of Public Safety			
Disaster Grants - Public Assistance (Federally Declared Disasters)	97.036	PA-08-CO- 4145	167,344
<b>Total Department of Homeland Security</b>			<b>167,344</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,486,831</b>

*See accompanying Independent Auditor's Report.*

**City of Fort Morgan**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2015**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Fort Morgan, Colorado (the "City") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 - *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. Subrecipients**

There were no subrecipients of federal awards during the year ended December 31, 2015.