NOTES TO FINANCIAL STATEMENTS

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Grand Junction, Colorado (the City) was incorporated July 19, 1882 under the provisions of Article XX of the Constitution of the State of Colorado, as amended (Home Rule City). The City operates under a Council-Manager form of government with seven elected Council members.

The City's financial statements include the accounts and operations of all City functions including, but not limited to, public safety (police and fire protection), street construction and maintenance, water and sanitation, planning and zoning, parks and recreation and general administration as provided by the City charter. The City owns a meeting and convention center, and it owns and operates swimming pools, golf courses and parking facilities. The City also provides ambulance transport services for Mesa County, Colorado. The City maintains information technology, fleet services, facilities management, and communication center operations. The communications center and fleet services provide services to other local governments in Mesa County, Colorado.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units. The financial data for the following entities is reported as part of the primary government because the City's Council acts as the Board of Directors for each entity.

The Ridges Metropolitan District was annexed into the City and dissolved as a separate district in 1992. The District continues in existence for the sole purpose of providing for the payment of the District's outstanding debt with a special levy of property taxes collected within the District only.

The financial data of the ***Grand Junction Public Finance Corporation*** (the Corporation) is reported as part of the primary government because it is fiscally dependent upon the City and provides financing solely to the City. The Corporation was incorporated as a nonprofit corporation in the State of Colorado during 1996. The purpose of the Corporation is to facilitate financing for the City (see *Note 6*). Although the Corporation is a separate legal entity, for financial reporting purposes, it is considered part of the City and is reported in the Grand Junction Public Finance Debt Service Fund.

Discretely Presented Component Unit. The component unit column in the government-wide financial statements includes the financial data of the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City.

The Downtown Development Authority (DDA) was formed to improve the downtown area of the City. The DDA has an eleven-member board appointed by the City Council of the City. The City Council also approves the DDA's budget and property tax levy and issues any debt for DDA projects. Financial statements for all funds and activities of the DDA are included in the City's Comprehensive Annual Financial Report because the DDA does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements summarize information on governmental and business-type activities of the primary government and its component units. These statements do not include fiduciary activities, and for the most part, eliminations have been made to minimize the double-counting of interfund activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the DDA, the City's legally separate component unit for which the primary government is financially accountable.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to revenues and expenditures, or expenses, being recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide, Proprietary and Fiduciary Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except that agency funds, as they are merely custodial funds, do not have a measurement focus. All assets, liabilities and deferred outflows/inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements:

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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major revenues that are determined to be susceptible to accrual include sales, use and lodging taxes, property taxes, utility franchise fees, grants in aid earned, interest, rentals and charges for services. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Only the portion of special assessments receivable due within the current fiscal year is considered susceptible to accrual as revenue of the current period. Major revenues that are determined to not be susceptible to accrual, because they are either not available to pay liabilities of the current period or are not objectively measurable, include licenses, permits, fines and forfeitures.

Expenditures are generally recorded when the liability is incurred, as required 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the City. It accounts for all activities of the general government except those required to be accounted for in another fund.

The ***Sales Tax Capital Improvements Fund*** is a capital projects fund used to account for the financing and construction of projects financed completely or partially with the ¾ percent portion of the City's 2¾ percent sales and use tax. The ¾ percent portion is currently dedicated to general capital improvements and economic development.

The ***Street Assessment Improvements Fund*** is a capital projects fund used to account for various street improvement projects funded partially or in whole with assessments to property owners.

The ***General Debt Service Fund*** is a debt service fund used to account for all resources which are being accumulated for general long-term debt principal and interest payments maturing in future years, other than long-term debt accounted for in enterprise and internal service funds, or where a separate debt service fund is legally mandated.

The ***Parkway Debt Retirement Fund*** is a debt service fund previously used to account for all resources being accumulated for the early retirement of the Parkway Project long-term debt principal and interest payments maturing in future years. However, based on April 2017 voter authorization, the resources accounted for in this fund shall be used towards street maintenance projects and neighborhood pavement preservation until December 31, 2022, after which the fund will again account for all resources to be used towards the retirement of the long-term debt of the Parkway Project.

The City reports the following major proprietary funds:

The ***Water Fund*** accounts for all activities associated with providing water services to customers within the water service area.

The ***Two Rivers Convention Center Fund*** accounts for the management of the municipally owned meeting and convention center and Avalon Theatre.

The ***Golf Courses Fund*** accounts for all activities associated with both municipally owned golf courses, Lincoln Park Golf Course and Tiara Rado Golf Course.

The ***Parking Fund*** is used to account for the revenue and expense associated with the operation of all municipally owned and leased parking facilities. Construction of a parking garage in the downtown area was completed late in 2007.

Additionally, the City reports the following fund types:

The ***Permanent Fund*** accumulates resources to provide future maintenance of municipal cemeteries.

The ***Internal Service Funds*** account for data processing, equipment acquisition, self-insurance activities, communication services and facilities management provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The ***Private-Purpose Trust Funds*** account for resources legally held in trust for use by the local school district to purchase land and other uses specified by parties outside the City government.

The ***Investment Trust Fund*** accounts for the net position held on behalf of the City of Grand Junction/Mesa County Joint Sewer System in the City's cash pool. The Joint Sewer System is not part of the City's financial reporting entity.

The ***Agency Funds*** account for custodial functions in operations of an advisory board and collecting and forwarding special assessment debt payments for property owners.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds and charges between the City's water and solid waste removal fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Interfund activity has not been eliminated in the fund financial statements.

Amounts reported as program revenues include:

1. charges to customers for goods and services
2. operating grants and contributions
3. capital grants and contributions, including special assessments

Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

Ambulance transports have agreements with third-party payers, Medicaid and Medicare, that provide for payments to the City at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions and short-term investments with original maturities of three months or less from the date of acquisition.

Colorado State Statutes limit local governments to the following types of investments, unless others are specifically identified by home rule cities, such as the City of Grand Junction:

a. *Obligations of the United States or obligations unconditionally guaranteed by the United States*
b. *Bonds of the State of Colorado and its political subdivisions*
c. *Certain obligations secured by mortgages*
d. *Bankers acceptances*
e. *Commercial paper*
f. *State investment pools*
g. *Repurchase agreements*
h. *Money market funds*
i. *Guaranteed investment contracts*

The City Council has formally established an investment policy allowing investments to have maturities beyond five years and to include mutual funds, composed of U.S. Government obligations, and collateralized mortgage obligations. Some additional restrictions apply to the various investments.

Assets of pension plans may be invested by the Fire and Police Pension Association of Colorado (FPPA) in publicly traded common and preferred stock, convertible bonds, venture capital and real estate. Investments are presented at fair value, except real-estate, which is recorded at estimated fair value based upon periodic appraisals and valuations; investments in limited partnerships, which are recorded at estimated fair value as derived from financial statements; and guaranteed investment contracts, which are recorded at contract value.

Investments are stated at fair value determined from quoted market prices. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State of Colorado. The state investment pools and mutual funds are similar to money market funds with each share valued at $1.

Investments in joint ventures by governmental funds are recorded as expenditures at the time the investment is made.

2. Interfund Receivables and Payables

Receivables and payables classified as “due from other funds” or “due to other funds” on the balance sheet arise from negative equity in pooled cash and investments. Current portions of long-term interfund loan receivables are classified as “interfund receivables” and “interfund payables” on the balance sheet. Non-current portions of long term interfund loan receivables are reported as “advances” and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore are not available for appropriation. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

3. Property Taxes

Property taxes, as set by the City Council, are collected by the County Treasurer. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2017 taxes collectible in 2018 and are also shown as unavailable revenue. Following are details of the property tax calendar:

Levy date:	November 15 (prior year)
Lien date:	January 1 (current year)
First 1/2 installment due:	February 28
Second 1/2 installment due:	June 15
If paid in full:	April 30

4. Special Assessments Receivable

Special assessments receivable is recorded for the property owners' share of the cost of street or utility improvements within special improvement districts. Corresponding unavailable revenue is recorded until the assessments meet the revenue recognition availability criteria. Special assessments receivable for projects which were initially financed with existing governmental resources are recorded together with the corresponding deferred inflow of resources in the fund which provided the resources.

5. Inventories and Prepaid Items

All inventories are valued at cost using the moving average method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items in governmental funds are recorded as expenditures when consumed rather than when purchased.

6. Restricted Cash and Investments

Certain proceeds of the Governmental Fund certificates of participation are classified as restricted assets on the balance sheet since their use is limited by applicable bond covenants.

7. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., streets, bridges, alleys, traffic signal systems and storm drainage) and intangible assets (e.g., water rights and permanent easements) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $25,000 or more and an estimated life in excess of three years. However, assets purchased with grant funds, regardless of the granting entity, have an initial, individual cost of $5,000 or more and an estimated life greater than three years. All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their acquisition value on the date donated.

Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Improvements are capitalized and depreciated over the remaining useful lives of the capital asset, as applicable. Infrastructure assets are capitalized as a separate category.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities.

Estimated useful lives for asset types are as follows:

	Estimated lives
Building and improvements	10 to 50 years
Utility plant and system	50 years
Equipment	5 to 10 years
Infrastructure	20 to 40 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and the deferred outflows related to pensions reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pensions results from contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the following year.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item that qualifies for reporting in this category. It is unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Compensated Absences

During 1992, the City implemented a “Paid Time Off” (PTO) policy. This policy integrates holidays, vacation leave and sick leave into a single leave time accrual. An employee may accrue up to from 480 to 624 hours of PTO, depending upon years of service.

The City pays a terminating employee for all accumulated PTO time up to from 80 to 152 hours, depending on years of service. One-half of accumulated PTO in excess of this base amount will be paid to a terminating employee. In addition, employees hired prior to 1992 may have vacation and sick leave balances. The City pays a terminating employee for all accumulated vacation time and one-third of accumulated sick leave in excess of 720 hours.

Compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of an employee’s resignation or retirement.

10. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure are recorded during the year as an extension of formal budgetary integration in order to reserve that portion of the applicable appropriation, is not included for financial reporting purposes at year-end because unused appropriations and encumbrances lapse at year-end and must be reappropriated in the following year to be expended.

11. Long Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

12. Net Position Flow Assumption

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first followed by unrestricted resources as they are needed.

13. Fund Balance Policies and Flow Assumptions

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned or unassigned fund balances. When funds from more than one classification are available, the order of spending of resources will be restricted, committed, assigned and unassigned.

Fund balances are classified as nonspendable when they are nonspendable in form or legally or contractually required to be maintained intact.

Fund balances are classified as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, laws and regulations of other governments or by law through constitutional provisions or enabling legislation.

Fund balances are classified as committed when constraints placed upon the use of resources are adopted by the City Council through ordinance prior to the end of the calendar year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (i.e. the adoption of another ordinance) to remove or revise the limitation.

Fund balances are classified as assigned when constraints placed upon the use of resources are imposed by the City Council through the adoption of the City's annual budget. Assigned fund balances represent the City's intent for future use of financial resources that are subject to change. An intended use of any amount may also be expressed by the City Council and recorded in the minutes of a Council meeting. Assigned fund balances in special revenue funds will include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

The residual fund balance that does not meet any of the above criteria is classified as unassigned. The City will only report a positive unassigned fund balance in the General Fund.

14. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in the accompanying Management's Discussion and Analysis in order to provide an understanding of the changes in the City's financial position and operations. However, complete comparative data has not been reported since the inclusion would make the financial statements unduly complex and difficult to read. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual appropriated expenditure budgets are adopted for all governmental funds on a basis consistent with GAAP with the exception of the General Fund, the Sales Tax Capital Improvements Fund and the Parkway Debt Retirement Fund. The annual budget for the General Fund is prepared on the modified accrual basis of accounting, excluding certain basis differences for tax accruals and market value adjustments. The annual budget for the Sales Tax Capital Improvements Fund is prepared on the modified accrual basis of accounting, except for certain basis differences for tax accruals and market value adjustments. The annual budget for the Parkway Debt Retirement Fund is prepared on the modified accrual basis of accounting, except for certain basis differences for market value adjustments. Annual appropriation budgets are also adopted for all proprietary funds on the accrual basis of accounting modified to include capital expenditures and debt service principal payments and to exclude depreciation and amortization. The budget is prepared under the direction of the City Manager. The appropriations are adopted, and may not be exceeded, on a total fund basis.

The details of the budget calendar follow:

December 15	Statutory deadline for certification of all mill levies to the Board of County Commissioners
December 22	Statutory deadline for Board of County Commissioners to levy all taxes and certify the levies

On or before December 31, the City Council enacts an ordinance appropriating the budgets for the ensuing fiscal year. The City Council may amend the appropriation ordinance at any time during the year, as a result of any casualty, accident or unforeseen contingency.

The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is established at the individual fund level. Although the budget enacted by the City Council is at the fund level, the City prepares a line item budget by department and cost center for control at the line item level. Department heads have the authority to reallocate the distribution of budget amounts within the major categories of personnel expenditures, operating expenditures and capital expenditures within their fund and department. Budget reallocation between major expenditure categories within a fund requires City Manager approval. Budget reallocation between funds requires City Council approval.

Supplemental appropriation ordinances during 2017 resulted in budget amendments as follows:

Fund	Original Amount	Amended Amount
Primary Government - City of Grand Junction:		
Governmental Activities		
General Fund	$ 65,865,932	$ 66,854,633
Capital Projects Fund:		
Sales Tax Capital	15,648,769	20,686,111
Debt Service Fund:		
Parkway Debt Retirement	-	3,750,000
Business-type Activities		
Enterprise Funds:		
Water	7,896,887	8,304,416
Solid Waste	3,848,728	3,957,728
Internal Service Funds:		
Equipment	5,129,773	6,021,639
Self-Insurance	2,987,879	3,627,979
Component Unit - Downtown Development Authority:		
Special Revenue Funds:		
DDA Operations	338,404	357,904
Capital Projects Funds:		
DDA Capital Improvements	643,738	693,738
Debt Service Funds:		
DDA TIF Debt Service	1,433,710	5,928,710

B. Excess of Expenditures Over Appropriations

The City charter prohibits the expenditure of City funds for any purpose not covered in the annual appropriation ordinance based upon the annual City budget. Colorado statutes prohibit expenditures on a total fund basis in excess of amounts appropriated.

NOTE 3. DEPOSITS AND INVESTMENTS

Substantially all the City's cash and investments are part of the City's sponsored cash pool, which includes both internal and external participants. The pool is not registered with the Securities and Exchange Commission as an investment company. Authority to manage the investment program is granted to the Deputy Finance Director (Investment Officer). The Investment Officer shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with the City's Investment Policy. The Investment Officer carries out his/her responsibilities through the issuance of procedures and internal controls that are established by the Finance Director. The Finance Director also authorizes and monitors all investment activity.

Cash and investments held for the City of Grand Junction/Mesa County, Colorado Joint Sewer System are included in and inseparable from the City's pooled cash and investments. Since the Joint Sewer System is not part of the City's reporting entity, they are considered involuntary external participants of the City's cash pool. Under GASB Statement No. 31, the Joint Sewer System's pool share value is reported as an Investment Trust Fund in the City's financial statements. See *Note 12* for more information on the Joint Sewer System.

Cash Deposits

Colorado State Statutes require that all deposits be secured by federal deposit insurance or secured by collateral. Statutes require a financial institution to deposit collateral with another financial institution securing 102% of the market value of public funds held which exceed the amount insured by federal deposit insurance. All deposits of the City are insured or collateralized with government securities held by or for the entity.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The composition of all cash held by the City cash pool at December 31, 2017, was as follows:

	Bank Balance	Carrying Balance
Cash on hand	$ -	$ 17,593
Insured deposits	250,000	250,000
Deposits collateralized in single institutional pools	5,078,532	2,913,095
	$ 5,328,532	$ 3,180,688

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by maintaining a minimum of 30% of the portfolio in short-term securities (less than one year) and employing a buy-and-hold strategy.

The City voluntarily participates in the state investment pools. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State of Colorado. The state investment pools and mutual funds are similar to money market funds with each share valued at $1. The designated custodial banks provide safekeeping and depository services, and securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. Investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. The investment in FPPA investment pool is set by Colorado statute for funding of police and fire defined benefit pension plans. Investments consist of publicly traded common and preferred stock, convertible bonds, venture capital and real estate. Investments in state investment pools, mutual funds and FPPA are not categorized by risk, as they are not evidenced by securities that exist in physical or book entry form. The fair value of the position in the state investment pools and FPPA approximate the value of the City's investment in the pools.

As of December 31, 2017, the City had the following investments:

Investment Type	S&P Rating	Fair Value	Weighted Average Maturity (Months)
Federal agency securities	AA+	$ 34,761,330	26.50
Treasury coupon securities	AA+	11,380,450	38.99
Certificates of deposit	NR	4,688,592	27.19
Municipal securities	A	499,575	2.99
Corporate holdings	A1+	3,074,802	30.11
Pass through securities	AA+		
(GNMA/CMO)		74,158	26.53
State investment pools	AAAm	13,502,894	0.00
Total		$ 67,981,801	23.37

Credit risk. The City's investment practices are governed by the City of Grand Junction Charter, Article IX paragraph 72, the Colorado Revised Statutes 24-75-601 to 605 and the City's investment policy as approved by the City Manager. These controls limit investments to U.S. Government and Agency obligations, collateralized deposits and commercial paper with the highest rating issued by one of the nationally recognized statistical rating organizations (NRSRO's).

Concentration of credit risk. The City's investment policy dictates diversification and does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments.

Custodial credit risk. State law requires financial institutions to collateralize deposits of government funds. By City policy, all marketable securities shall be deposited in a safe keeping account with an independent third party state or national bank having an office in Colorado.

Foreign Currency Risk. The City's investment policy, excluding the FPPA pension plans, does not allow for investment in foreign currency.

NOTE 4. ACCOUNTS RECEIVABLE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts receivable of the City's various funds at December 31, 2017 was as follows:

General Fund	$ 335,349
Enterprise Funds:	
Water	$ 41
Solid Waste Removal	274
	$ 315

NOTE 5. CAPITAL ASSETS

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

Primary Government - City of Grand Junction:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 306,075,535	$ 6,114,866	$ 623,519	$ 311,566,882
Construction in progress	2,557,129	154,194	2,476,067	235,256
Intangible assets	1,348,093	-	-	1,348,093
Total capital assets, not being depreciated	309,980,757	6,269,060	3,099,586	313,150,231
Capital assets, being depreciated:				
Buildings	99,805,315	4,369,059	-	104,174,374
Improvements other than buildings	33,620,240	1,141,059	1,031,374	33,729,925
Equipment	58,150,859	2,759,220	4,865,642	56,044,437
Infrastructure	407,232,803	16,728,404	-	423,961,207
Total capital assets, being depreciated	598,809,217	24,997,742	5,897,016	617,909,943
Less accumulated depreciation for:				
Buildings	24,923,731	1,954,293	-	26,878,024
Improvements other than buildings	20,634,637	1,324,929	515,687	21,443,879
Equipment	36,430,582	5,046,577	4,798,392	36,678,767
Infrastructure	143,048,078	10,185,237	-	153,233,315
Total accumulated depreciation	225,037,028	18,511,036	5,314,079	238,233,985
Total capital assets, being depreciated, net	373,772,189	6,486,706	582,937	379,675,958
Governmental activities capital assets, net	$ 683,752,946	$ 12,755,766	$ 3,682,523	$ 692,826,189
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 5,193,890	$ -	$ 52,377	$ 5,141,513
Construction in progress	790,582	1,132,202	-	1,922,784
Intangible assets	190,464	-	-	190,464

Total capital assets, not being depreciated	6,174,936	1,132,202	52,377	7,254,761
Capital assets, being depreciated:				
Buildings and systems	77,323,062	500,826	22,140	77,801,748
Improvements other than buildings	8,647,606	-	-	8,647,606
Equipment	3,969,710	-	204,176	3,765,534
Total capital assets, being depreciated	89,940,378	500,826	226,316	90,214,888
Less accumulated depreciation for:				
Buildings and systems	29,961,112	1,720,738	20,873	31,660,977
Improvements other than buildings	3,904,625	244,009	-	4,148,634
Equipment	2,758,050	252,884	204,176	2,806,758
Total accumulated depreciation	36,623,787	2,217,631	225,049	38,616,369
Total capital assets, being depreciated, net	53,316,591	(1,716,805)	1,267	51,598,519
Business-type activities capital assets, net	$ 59,491,527	$ (584,603)	$ 53,644	$ 58,853,280

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

Governmental Activities:	
General government	$ 1,050,019
Public safety	1,783,534
Public works	9,803,715
Parks and recreation	1,745,364
Capital assets held by the government's internal service funds are charged to various functions based on their usage of assets	4,128,404
Total depreciation expense – governmental activities	$ 18,511,036
Business-Type Activities:	
Water	$ 1,156,501
Solid waste	48,698
Meeting and convention center	588,761
Golf courses	228,167
Parking	107,174
Irrigation	88,330
Total depreciation expense – business-type activities	$ 2,217,631

Discretely Presented Component Unit

Activity for the ***Downtown Development Authority (DDA)*** for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 848,871	$ -	$ -	$ 848,871
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	848,871	-	-	848,871
Capital assets, being depreciated:				
Buildings and systems	3,334,768	28,462	-	3,363,230
Improvements other than buildings	1,045,026	-	-	1,045,026
Equipment	1,587,165	-	34,750	1,552,415
Total capital assets, being depreciated	5,966,959	28,462	34,750	5,960,671
Less accumulated depreciation for:				
Buildings and systems	500,295	86,931	-	587,226
Improvements other than buildings	117,798	53,143	-	170,941
Equipment	1,127,089	103,208	34,750	1,195,547
Total accumulated depreciation	1,745,182	243,282	34,750	1,953,714
Total capital assets, being depreciated, net	4,221,777	(214,820)	-	4,006,957
DDA capital assets, net	$ 5,070,648	$ (214,820)	$ -	$ 4,855,828

NOTE 6. CAPITAL LEASES

Certificates of Participation

The City entered into a ground and improvement lease with the Grand Junction Public Finance Corporation (the Corporation), which was incorporated in 1996 as a Colorado nonprofit corporation to facilitate City financing, including but not limited to the acquisition of real or personal property, the construction or installation of improvements and the renovation, expansion or improvement of buildings for lease to the City. The Corporation issued $7,770,000 in certificates of participation dated November 15, 2010 to be used to construct and install certain improvements at Suplizio Field, a baseball stadium located in the City's Lincoln Park, to fund a reserve fund and to pay the costs of issuing the certificates. The proceeds from the issue reserved for debt service and principal and interest payments are accounted for in the General Fund.

The City has agreed to pay base rentals from annually appropriated funds. The lease agreements are in accordance with Colorado law by being subject to annual appropriation by the City. The City intends to annually appropriate for the lease payments in its Conservation Trust Fund. The primary revenues on deposit in the Conservation Trust Fund are comprised of funds received from the Colorado Lottery to be used for park and recreation purposes pursuant to State law. A reserve is held by a trustee as required by the agreement.

The interest rate is 4.76% payable semiannually on May 15 and November 15. A schedule, by years, of future minimum lease payments as of December 31, 2017 follows:

Year ending December 31,	Schedule of Base Rents
2018	$ 531,175
2019	528,675
2020	530,406
2021	531,163
2022	529,900
2023-2027	2,660,488
2028-2032	2,647,750
2033-2035	1,591,750
Total base rentals	9,551,307
Less amounts representing interest	(3,271,307)
Present value of minimum lease payments	$ 6,280,000

The City entered into a ground lease with Zions First National Bank. Zions First National Bank issued $34,900,000 in certificates of participation dated December 1, 2010 to be used for the construction of a police building, including a 911 emergency dispatch center, the remodeling of existing City facilities for use as fire stations and a fire administration building, to pay capitalized interest and to pay the costs of issuing the certificates. The certificates include $4,900,000 of Tax-Exempt Certificates of Participation, Series 2010A and $30,000,000 Taxable Certificates of Participation (Direct Pay Build America Bonds), Series 2010B.

The City has agreed to pay base rentals from annually appropriated funds. The lease agreements are in accordance with Colorado law by being subject to annual appropriation by the City.

The interest rates range from 4.23% to 7.48% payable semiannually on May 15 and November 15. A schedule, by years, of future minimum lease payments as of December 31, 2017 follows:

Year ending December 31,	Schedule of Base Rents
2018	$ 3,029,535
2019	3,028,985
2020	3,011,547
2021	2,990,247
2022	2,970,510
2023-2027	14,505,588
2028-2032	13,776,965
2033-2037	12,802,850
2037-2040	7,100,485
Total base rentals	63,216,712
Less amounts representing interest	(32,426,712)
Present value of minimum lease payments	$ 30,790,000

The City's certificates of participation do not constitute a general obligation, other indebtedness or multiple fiscal year financial obligation of the City within the meaning of any constitutional or statutory debt limitation.

Capital Leases

The City also enters into lease agreements as a lessee for financing the acquisition of various equipment for governmental activities. The capital assets acquired from the lease agreements are included with capital assets and the amortization of leased equipment is included with depreciation in the financial statements. These lease agreements qualify as capital leases for accounting purposes and therefore, have been reflected at the present value of their future minimum lease payments as of the inception date. The City had $982,237 of capital leases outstanding as of December 31, 2017.

	Ending Balance
Equipment	$ 1,217,597
Accumulated depreciation	(150,179)
Net book value	$ 1,067,418

NOTE 7. LONG-TERM LIABILITIES

The following is a summary of long term liability activity of the City for the year ended December 31, 2017:

Primary Government - City of Grand Junction:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds:					
Parkway refunding	$ 25,600,000	$ -	$ 2,705,000	$ 22,895,000	$ 2,845,000
Parkway refunding premium	2,498,015	-	547,793	1,950,222	481,607
Capital leases:					
Certificates of participation	38,055,000	-	985,000	37,070,000	1,030,000
Discount on certificates of participation	(327,635)	19,205	-	(308,430)	(20,487)
Equipment leases	-	1,217,597	235,360	982,237	203,360
Net pension liability					
Fire defined benefit plan	4,429,667	531,042	320,273	4,640,436	-
Claims payable	1,956,906	2,448,360	1,104,368	3,300,898	2,249,491
Compensated absences	4,118,734	4,828,487	4,806,522	4,140,699	248,939
Other post-employment benefits	3,467,922	1,213,013	1,120,567	3,560,368	-

Governmental activity long-term liabilities	$ 79,798,609	$ 10,257,704	$ 11,824,883	$ 78,231,430	$ 7,037,910

Business-type activities:					
Loans payable					
Water systems	$ 5,756,922	$ 1,501,860	$ 1,296,218	$ 5,962,564	$ 482,230
Less deferred amounts					
For loan discount	(14,354)	3,929	-	(10,425)	(3,234)
Compensated absences	471,996	460,542	537,596	394,942	23,744
Business-type activity long-term liabilities	$ 6,214,564	$ 1,966,331	$ 1,833,814	$ 6,347,081	$ 502,740

Component Unit – Downtown Development Authority:

Tax increment bonds	$ 4,620,000	$ 9,120,000	$ 4,620,000	$ 9,120,000	$ 795,000
Promissory note	-	1,000,000	1,000,000	-	-
Compensated absences	8,585	25,404	21,185	12,804	770
Component unit long-term liabilities	$ 4,628,585	$ 10,145,404	$ 5,641,185	$ 9,132,804	$ 795,770

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds were included as part of the above totals for governmental activities. At year end, $536,495 of internal service funds compensated absences and $610,080 of internal service funds capital leases are included in the above amounts. For the governmental activities, compensated absences and net pension obligation are generally liquidated by the general fund.

Bonds, notes and loans payable as of December 31, 2017, are comprised of the following:

Primary Government – City of Grand Junction:

REVENUE BONDS:

The City of Grand Junction issued $30,645,000 of General Fund Revenue Refunding Bonds Series 2012 bearing interest at 2% to 5%, payable March 1 and September 1 annually through March 1, 2024. The principal and interest on the bonds is payable solely from pledged sales and use tax revenues. There was $22,895,000 of unpaid principal at December 31, 2017, payable over the following term:

Year	Principal	Interest	Total
2018	$ 2,845,000	$ 1,009,625	$ 3,854,625
2019	2,975,000	883,625	3,858,625
2020	3,095,000	761,375	3,856,375
2021	3,240,000	613,000	3,853,000
2022	3,405,000	449,375	3,854,375
2023-2024	7,335,000	371,375	7,706,375
	$ 22,895,000	$ 4,088,375	$ 26,983,375

LOANS PAYABLE:

The City entered into a loan agreement dated April 1, 2002 with the Colorado Water Resources and Power Development Authority to finance improvements on the City's water system. The original principal amount was $3,566,522, at a net effective interest rate of 4.02%, payable February 1 and August 1 annually through 2022. The water system net revenues are pledged as security for the loan. The unpaid principal at December 31, 2017 was $1,147,537, payable over the following term from *Business activities:*

Year	Principal	Interest	Total
2018	$ 210,112	$ 41,266	$ 251,378
2019	215,500	33,825	249,325
2020	226,275	29,151	255,426
2021	237,050	21,845	258,895
2022	258,600	6,925	265,525
	$ 1,147,537	$ 133,012	$ 1,280,549

The City entered into a loan agreement dated February 2, 2010 with the Colorado Water Resources and Power Development Authority to finance improvements on the City's water system. The original principal amount was $3,800,000, at a net effective interest rate of 2.5%, payable May 1 and November 1 annually through 2030. The water system net revenues are pledged as security for the loan. The unpaid principal at December 31, 2017 was $2,613,467, payable over the following term from *Business activities*:

Year	Principal	Interest	Total
2018	$ 180,523	$ 64,215	$ 244,738
2019	185,064	59,674	244,738
2020	189,719	55,019	244,738
2021	194,492	50,246	244,738
2022	199,385	45,353	244,738
2023-2027	1,074,731	148,959	1,223,690
2028-2030	589,553	22,291	611,844
	$ 2,613,467	$ 445,757	$ 3,059,224

The City entered into a loan agreement dated November 17, 2016 with the Colorado Water Resources and Power Development Authority (CWRPDA) to finance improvements on the City's water system. The original principal amount was $1,615,100, at a net effective interest rate of 2.0%, payable May 1 and November 1 annually through 2036. The water system net revenues are pledged as security for the loan. The loan was amended in 2017 after the project was completed under budget to match the actual expenses incurred in the project. The unpaid principal at December 31, 2017 was $1,436,739, payable over the following term from *Business activities*:

Year	Principal	Interest	Total
2018	$ 62,105	$ 29,186	$ 91,291
2019	64,141	27,174	91,315
2020	65,431	25,884	91,315
2021	66,746	24,569	91,315
2022	68,087	23,228	91,315
2023-2027	361,524	95,051	456,575
2028-2032	399,348	57,228	456,576
2033-2036	349,357	15,904	365,261
	$ 1,436,739	$ 298,224	$ 1,734,963

The City entered into a loan agreement dated March 1, 2017 with the Colorado Water Conservation Board (CWCB) to finance improvements on the City's water system. The original principal amount was $764,821, at a net effective interest rate of 2.65%, payable March 1 annually through 2037. The water system net revenues are pledged as security for the loan. The unpaid principal at December 31, 2017 was $764,821, payable over the following term from *Business activities*:

Year	Principal	Interest	Total
2018	$ 29,491	$ 20,268	$ 49,759
2019	30,273	19,486	49,759
2020	31,075	18,684	49,759
2021	31,898	17,861	49,759
2022	32,744	17,015	49,759
2023-2027	177,203	71,591	248,794

2028-2032	201,960	46,834	248,794
2033-2037	230,177	18,618	248,795
	$ 764,821	$ 230,357	$ 995,178

Component Unit – Downtown Development Authority:

SHORT-TERM OBLIGATION:

During 2015, a revolving line of credit was established with a bank for a 5-year period in the amount of $1,000,000 to finance DDA projects and programs in accordance with its approved plan of development. During 2017, total draw amounts were $1,000,000. In March 2017, a total of $1,000,419 in principal and interest was repaid and there was no amount outstanding as of December 31, 2017.

LOANS PAYABLE:

During 2015, the DDA entered into a loan agreement with Mesa County Valley School District No. 51 in order to finance the purchase of the R5 property located at 310 North 7th Street. The property is a full city block located at the northeast corner of the Central Business District. The DDA is soliciting proposals for an opportunity to redevelop the property and invest in the downtown area. The principal amount is $1,000,000 interest free payable in two equal installments on August 15 and June 30. The unpaid principal was paid in full in 2017.

TAX INCREMENT BONDS:

During 2012, the DDA issued $7,125,000 of Tax Increment Financing Bonds. The bonds include $4,070,000 of Tax-Exempt Increment Bonds, Series 2012A and $3,055,000 Taxable Increment Bonds, Series 2012B. The bonds bear interest from 3.5% to 5.3% and are payable on June 15 and December 15 of each year through 2022. A new bond issuance was completed in 2017 which was, in part, used to pay the 2012 Tax-Exempt Increment Bonds in full.

During 2017, the DDA issued $9,120,000 of Tax Increment Financing Bonds. The bonds bear interest at a rate of 3.36% and are payable on June 15 and December 15 of each year through 2032. The unpaid principal at December 31, 2017 was $9,120,000, payable over the following term:

Year	Principal	Interest	Total
2018	$ 795,000	$ 294,647	$ 1,089,647
2019	830,000	272,748	1,102,748
2020	870,000	244,524	1,114,524
2021	905,000	214,998	1,119,998
2022	956,000	184,162	1,140,162
2023-2027	2,150,000	644,062	2,794,062
2028-2032	2,614,000	247,044	2,861,044
	$ 9,120,000	$ 2,102,185	$ 11,222,185

There are certain reserve requirements, limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant requirements.

NOTE 8. BUDGET TO ACTUAL PRESENTATION – PROPRIETARY FUNDS

Modifications to budgetary basis consist of adding capital expenditures and debt service principal payments, and excluding depreciation and amortization expense, estimated claims expense, fund equity transfers and any changes in accrued compensated absences and accrued interest expense from GAAP basis expenditures.

	Budgeted Amounts		Expenditures Reported on the Basis of GAAP	Adjustment to Budgetary Basis	Expenditures on Budgetary Basis	Variance with Final Budget – Positive (Negative)
	Original	Final				
Enterprise Funds:						
Water	$ 7,896,887	$ 8,304,416	$ 5,108,875	$ 1,686,901	$ 6,795,776	$ 1,508,640
Solid Waste Removal	3,848,728	3,957,728	3,863,892	37,151	3,901,043	56,685
Two Rivers Convention Center	2,377,829	2,377,829	1,087,573	(522,000)	565,573	1,812,256
Golf Courses	1,833,661	1,833,661	1,873,714	(40,304)	1,833,410	251
Parking Authority	522,443	522,443	401,120	98,494	499,614	22,829
Irrigation	258,992	258,992	344,848	(87,207)	257,641	1,351
Internal Service Funds:						
Data Processing	6,566,708	6,566,708	6,099,250	(62,281)	6,036,969	529,739
Equipment	5,129,773	6,021,639	5,443,857	(1,244,685)	4,199,172	1,822,467
Self-Insurance	2,987,879	3,627,979	4,954,104	(1,342,630)	3,611,474	16,505
Communication Center	7,268,608	7,268,608	6,779,091	(874,176)	5,904,915	1,363,693
Facilities	2,879,827	2,879,827	2,649,020	132,631	2,781,651	98,176

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017 was as follows:

Due to/from other funds:

	Due from Other Funds	Due to Other Funds
General Fund	$ 491,863	$ -
Parking Enterprise Fund to pay current portion of advance	-	206,942
Solid Waste Removal Enterprise Fund to pay current portion of advance	-	91,958
Tiara Rado Golf Course Enterprise Fund to pay current portion of advance	-	192,963
Total	$ 491,863	$ 491,863

Advances to/from other funds:

	Advance to Other Funds	Advance from Other Funds
General Fund	$ 5,208,952	$ -
Solid Waste Removal Enterprise Fund to cover the cost of operations	-	406,670
Tiara Rado Golf Enterprise Fund to cover the cost of new irrigation system	-	2,554,216
Parking Enterprise Fund to cover partial cost of new parking garage	-	2,248,066
Total	$ 5,208,952	$ 5,208,952

Interfund transfers:

Transfers in:	General Fund	Sales Tax CIP Fund	Nonmajor Government Funds	Parkway Debt Retirement Fund	Total
General Fund	$ -	$ 1,150,000	$ 45,254	$ -	$ 1,195,254
Sales Tax CIP	-	-	1,346,551	3,205,166	4,551,717
General Debt Service Fund	-	5,663,059	500,000	-	6,163,059
Parkway Debt Retirement	-	1,090,277	-	-	1,090,277
Two Rivers Convention Center	138,197	-	222,469	-	360,666

Golf Courses	-	-	155,000	-	155,000
Nonmajor Governmental	-	124,320	230,150	-	354,470
Internal Service	937,648	30,000	1,761,181	-	2,728,829
Total transfers out	$ 1,075,845	$ 8,057,656	$ 4,260,605	$ 3,205,166	$ 16,599,272

Transfers into the General Fund were to assist with cemetery operations ($13,000), to reimburse administrative costs of the Community Development Block Grant ($32,254) and for economic development contributions ($1,150,000). Transfers out of the General Fund were for moving the Retiree Healthcare plan fund balance to our Self-Insurance fund and to subsidize operations for Two Rivers Convention Center.

Transfers into the Sales Tax CIP Fund were for various capital construction projects. Transfers out of the Sales Tax CIP Fund were to repay the parkway debt ($3,853,875), to make the lease payment on the Public Safety Certificates of Participation ($1,809,184), to set aside dollars for street maintenance and neighborhood pavement preservation ($1,090,277) and for capital and economic development projects.

Transfers into the Two Rivers Convention Center Fund were to subsidize operations.

Transfers into the Golf Courses Fund were to subsidize debt service.

Transfers into Nonmajor Governmental Funds were for capital construction and to make the lease payment on the Stadium Certificates of Participation.

Transfers into the Internal Service Fund of $1,761,181 were for equipment and facility upgrades funded by the E-911 surcharge and sales tax.

NOTE 10. RETIREMENT PLANS

A. Defined Contributions Plans

The City maintains several defined contribution retirement plans for various classes of employees. In a defined contribution plan, benefits depend solely on amounts contributed, on the plan participant's behalf, to the plan plus investment earnings.

Under City ordinances, substantially all full time City employees, other than sworn police officers and firefighters and elected officials, are covered by a mandatory contributory defined contribution retirement plan. The City of Grand Junction, Colorado Employees Retirement Plan is administered by the International City Manager’s Association Retirement Corporation (ICMA-RC). The plan provides for retirement benefits based upon an employee's vested account. A participant becomes 100% vested on completion of five years of service. Amounts forfeited by employees who leave employment before becoming fully vested are used to pay for administrative expenses of the plan. The City matches employees' required contributions of 6% of base salary. An employee may make voluntary contributions of up to an additional 10%. Total payroll for all City employees for the year ended December 31, 2017 was $44,840,626. At December 31, 2017, there were no amounts due from the City to the plan. Covered wages and contributions in 2017 were as follows:

General Employee Plan	
Covered wages	$ 23,094,172
City contribution	1,423,622
Employee contribution	1,423,622

Effective January 1, 1980, under state statutes, all firefighters and police officers hired after April 8, 1978 are covered under fire and police defined contribution pension plans (new hire plans). Firefighters and police officers hired prior to this date had the option to remain in the defined benefit plans (old hire plans) or to transfer to the applicable new plan. The new plans are administered by independent boards. The assets of the New Hire Police Money Purchase Pension Plan and the New Hire Fire Money Purchase Pension Plan are maintained by ICMA-RC. Vesting is accomplished over a five-year period. Amounts forfeited by employees who leave employment before becoming fully vested are retained by the plan for administrative expenses of the plan. The rate of contribution under the new plan is 10.65% of regular salary for the employee and the City. At December 31, 2017, there were no amounts due from the City to the plan. Covered wages and contributions in 2017 were as follows:

New Hire - Police & Fire	Police Officers	Firefighters
Covered wages	$ 8,295,049	$ 8,091,838
City contribution	883,788	862,404
Employee contribution	883,420	862,404

In 1988, the City established supplemental defined contribution plans (new supplemental plans) for firefighters and police officers hired before April 8, 1978 whom remained as participants in the defined benefit plans (old plans). The Old Hire Police Officers Rank Escalation Pension Plan and the Old Hire Firefighters Rank Escalation Pension Plan were established in exchange for a freeze in rank escalation benefits in the old plans at 1980 levels. The plans are administered by ICMA-RC. Under these new supplemental plans, the City contributes 6.65% of the employee's gross wages to the plan and the employee contributes .65%. Employees' balances became fully vested upon establishment of the plans. In 2017, there were no police officers or firefighters participating in the defined benefit plans.

In addition to the above retirement plans, all firefighters and police officers are covered under a statewide, state funded death and disability plan.

B. Defined Benefit Plans

Plan Description. The City, on behalf of certain full-time paid firefighters and police officers, contributes to the Fire Old Hire Pension Fund and the Police Old Hire Pension Fund, both defined benefit, agent multiple-employer plans that are affiliated with the Fire and Police Pension Association of Colorado (FPPA). Assets of the plans are commingled for investment purposes in the Fire and Police Member’s Benefit Investment Fund; a combination of agent, multiple-employer defined benefit pension plans administered by FPPA with over 200 participating employers in the State of Colorado. The plans provide retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the Board of Directors of each plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plans. **FPPA issues a publicly available annual financial report that includes the assets of the plans, note disclosures related to the plan investments and policies, and separate biennial actuarial reports for each of the plans. The reports may be obtained by writing to *FPPA of Colorado, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado, 80111 or by calling FPPA at 1-303-770-3772.***

All City police officers and firefighters hired prior to April 8, 1978 participated in the plan until January 1, 1980, when they could remain in the plan or transfer and become a participant in a defined contribution plan (new hire plan). Police officers’ benefits become vested after 20 years of service and age 55 or after 25 years of service. Firefighters’ benefits become vested after 20 years of service and age 50. Vested employees who retire are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to one half of one month’s salary at the time of retirement, plus any vested rank escalation. Rank escalation benefits allow for increases in benefits equal to one half of any salary increases given to current City employees in the retiree’s last position. Rank escalation benefits are vested at 5% for each year of service until 1980. Benefits vested after 1979 are limited to increases of 3% per year for inflation, as determined by the state. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Contributions. Plan members and the City are required to contribute at a rate set by statute. The State of Colorado also contributes to the plans in an amount set by statute. The contribution requirements of plan members and the City are established under Title 31, Article 30 of the CRS, as amended.

City employees participating in the system are required to contribute 10% of their base earnings to the system. During 2017, there were no active police officers covered by the Police Old Hire Plan and 13 retirees and beneficiaries receiving benefits. There were no active firefighters contributing to the Fire Old Hire Plan and 34 retirees and beneficiaries receiving benefits. Contributions to the funds for the year ended December 31, 2017 were as follows:

	Police Old Hire Plan	Fire Old Hire Plan	Total
City contribution	$ -	$ 320,273	$ 320,273
Total	$ -	$ 320,273	$ 320,273

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the City reported a liability of $4,640,436 for its net pension liability related to the Fire Old Hire Plan. The net pension liability was measured as of December 31, 2016, and the total liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The City's net pension liability was based on a projection of the City's long-term contributions to the pension plan, actuarially determined.

At December 31, 2017, the City reported an asset of $356,046 for its net pension asset related to the Police Old Hire Plan. The net pension asset was measured as of December 31, 2016, and the total liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2016. The City's net pension asset was based on a projection of City's long-term contributions to the pension plan, actuarially determined.

For the year ended December 31, 2017, the City recognized pension expense of $484,298 for the Fire Old Hire plan and pension expense of $45,794 for the Police Old Hire plan. As a result of the Fire Old Hire plan not having any active employees, there were no forfeitures as part of the pension expense for the year ended December 31, 2017. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Old Hire Plan		Fire Old Hire Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	$ -	$ -	$ -	$ -	$ -	$ -
Change in assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on Plan investments	217,086	-	466,877	-	683,963	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-	-	-	-	-
City contributions subsequent to the measurement date	-	-	320,273	-	320,273	-
Total	$ 217,086	$ -	$ 787,150	$ -	$ 1,004,236	$ -

Deferred outflows of resources of $320,273 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending December 31,	Police Old Hire Plan Net Deferred Outflows/ (Inflows) of Resources	Fire Old Hire Plan Net Deferred Outflows/ (Inflows) of Resources
2018	$ 68,685	$ 147,493
2019	68,683	147,494
2020	62,924	135,689
2021	16,794	36,201
2022	-	-
Thereafter	-	-
Total	$ 217,086	$ 466,877

The changes in net pension asset for the Police Old Hire plan and net pension liability for the Fire Old Hire plan are presented below:

	Police Old Hire Plan			Fire Old Hire Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of January 1, 2017	$ 3,560,821	$ 3,977,942	$ (417,121)	$ 13,038,163	$ 8,608,496	$ 4,429,667
Changes for the year:						
Service cost	-	-	-	-	-	-
Interest	251,061	-	251,061	935,176	-	935,176
Difference between expected and actual experience	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-
Contributions – employer	-	-	-	-	307,037	(307,037)
Contributions – employee	-	-	-	-	-	-
Net investment income	-	198,081	(198,081)	-	432,691	(432,691)
Benefit payments	(434,546)	(434,546)	-	(1,159,261)	(1,159,261)	-
Administrative expense	-	(8,095)	8,095	-	(15,321)	15,321
Other changes	-	-	-	-	-	-
Total net changes	$ (183,485)	$ (244,560)	$ 61,075	$ (224,085)	$ (434,854)	$ 210,769
Balances as of December 31, 2017	$ 3,377,336	$ 3,733,382	$ (356,046)	$ 12,814,078	$ 8,173,642	$ 4,640,436

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation, determined using the following assumptions, was applied to all periods included in the measurement:

	Police Old Hire Plan	Fire Old Hire Plan
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Open	Level Dollar, Open
Remaining amortization period	13 years	18 years
Asset valuation method	5-Year smoothed, FMV	5-Year smoothed, FMV
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	N/A	N/A
Includes inflation at	2.50%	2.50%
Cost of living adjustment	N/A	N/A

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current beneficiaries. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis. The following presents the net pension liability/(asset), calculated using the discount rate of 7.50%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

Police Old Hire Plan	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	(128,794)	(356,046)	(557,755)

Fire Old Hire Plan	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	5,745,000	4,640,436	3,684,628

NOTE 11. POST EMPLOYMENT HEALTHCARE PLAN

Plan Description. The City of Grand Junction's Employee Retirement Health Benefit Plan is administered by the City of Grand Junction (the City). The Retiree Health Benefit Plan was implemented by the City in 1998, after a favorable vote by employees, to provide affordable healthcare coverage to its retirees and their dependents. The Rocky Mountain Healthcare C3 Plan (C3) offers healthcare coverage at retirement for the employee who retires at age 50-64 with 15 years of service or more. Retirees that qualify for coverage must pay 10% or 22% of current C3 rates to participate, depending on the year of retirement. Retiree spouses and dependents that qualify for coverage must also pay 100% of current C3 rates to participate. Coverage terminates for the retiree and spouses at age 65 when Medicare eligibility begins. Coverage terminates for eligible dependents at age 26. Disabled employees with five years of service are also eligible to enroll in the plan.

Funding Policy. The contribution requirements of retirees and the City are established and may be amended by the City. Retirees, spouses, and eligible dependents receiving benefits contributed $121,719, or approximately 30.5% of the total premiums, through their required contribution of $140.85 per month for single coverage, $781.07 per month for spouse coverage and $1,197.22 for family coverage. Only the retiree's premium is paid partially by the City. During 2017, there were 56 retirees and 16 dependents receiving benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to C3:

	Retiree Healthcare Plan
Annual required contribution (ARC)	$ 1,202,434
Interest on net OPEB obligation	138,717
Adjustment to ARC	(128,138)
Annual OPEB cost (expense)	1,213,013
Contributions made	(1,120,567)
Increase in net OPEB obligation	92,446
Net OPEB obligation - January 1, 2017	3,467,922
Net OPEB obligation - December 31, 2017	$ 3,560,368

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ending		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2015	$	1,234,342	40.96%	$	3,075,194
2016		1,211,815	67.59%		3,467,922
2017		1,213,013	92.38%		3,560,368

Funded Status and Funding Progress. As of December 31, 2017, the most recent actuarial valuation date, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) for benefits was $12.02 million. The covered payroll (annual payroll of active employees covered by the plan) was $38,292,624, and the ratio of the UAAL to the covered payroll was 31.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the fund status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is based on the employer's own investments and an annual healthcare cost trend rate of 3.75% initially, increased to an ultimate rate of 5.0% after five years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized on a level percent of pay, open basis. The remaining amortization period at June 30, 2016 was 30 years.

NOTE 12. RELATED ENTITIES

A. Joint Ventures

City of Grand Junction/Mesa County, Colorado, Joint Sewer System

The City operates and manages the City of Grand Junction/Mesa County, Colorado Joint Sewer System, a regional sewer system. The regional sewer system was organized by agreements made in 1979 and 1980 to provide sewer collection and treatment for the metropolitan area in the Grand Valley. The City contributed all assets which were included in its preexisting Sewer Fund while Mesa County contributed its name through the issuance of revenue bonds, which are payable from and secured by revenue of the sewer system. After contribution of these assets, the City's preexisting Sewer Fund was terminated. The City does not have a measurable present or future claim to the net resources of the Joint Sewer System, and therefore does not record an equity interest in its financial statements. The agreements provide that both the City and Mesa County approve the sewer system's annual appropriation budget. The City's utility department operates and manages the sewer system. The agreements provide that upon dissolution of the joint venture ownership of the assets of the Joint Sewer system shall be determined by mutual agreement. Condensed financial statements of the sewer system at December 31, 2017 and for the year then ended are as follows:

Statement of Net Position		
Assets:		
Current assets	$	21,337,960
Noncurrent assets		29,274
Net property, plant and equipment		91,527,655
Total assets	$	112,894,889
Liabilities:		
Current liabilities	$	1,275,380
Long-term debt		4,434,948
Total liabilities		5,710,328
Net Position:		
Net investment in capital assets		86,364,388
Unrestricted		20,820,173
Total net position	$	107,184,561
Statement of Revenue and Expenses		
Operating revenues	$	13,536,415
Operating expenses		9,714,042
Operating income/(loss)		3,822,373
Net nonoperating revenue/(expenses)		(158,456)
Capital contributions		3,356,786
Change in net position		7,020,703
Net position - beginning		100,163,858
Net position - ending	$	107,184,561

Since the City operates the Joint Sewer System, all cash balances are included in the City sponsored Cash Pool. The Joint Sewer System is an external participant in that pool. The Joint Sewer System's share of the pool is $19,833,992 reported as an Investment Trust Fund in the City's reporting entity. See *Note 3* for disclosure of all investing policies concerning the pool.

Operating expense includes $3,574,416 of depreciation. Separately issued financial statements for the City of Grand Junction/Mesa County, Colorado Joint Sewer System are available at the City of Grand Junction, 250 North Fifth Street, Grand Junction, Colorado 81501-2668.

Long term debt of the Joint Sewer System consists of the following:

LOAN PAYABLE

The Joint Sewer System entered into a loan agreement dated April 1, 2002 with the Colorado Water Resources and Power Development Authority to finance the elimination of combined storm and sanitary sewer lines and for septic system elimination. The principal amount was $13,490,000 at a net effective interest rate of 3.62%, payable February 1 and August 1 annually through 2024. The sewer system net revenues are pledged as security for the loan. The loan proceeds are held by a trustee on behalf of the Joint Sewer System with disbursements occurring upon receipt of a requisition executed by the City/County. The unpaid principal at December 31, 2017 was $3,520,000, payable over the following term from *Business activities:*

Year	Principal	Interest	Total
2018	$ 435,000	$ 159,048	$ 594,048
2019	450,000	145,591	595,591
2020	465,000	131,884	596,884
2021	480,000	117,802	597,802
2022	520,000	82,071	602,071
2023-2024	1,170,000	70,195	1,240,195
	$ 3,520,000	$ 706,591	$ 4,226,591

BONDS PAYABLE

The Joint Sewer System issued $5,200,000 of approved revenue bonds (Direct Pay Build America Bonds Series 2009) bearing interest at 3.99% payable June 1 and December 1 annually through December 2019. The revenue bonds were issued to extend, better, otherwise improve and equip its joint wastewater system. The unpaid principal at December 31, 2017 was $1,545,000, payable over the following term from *Business activities:*

Year	Principal	Interest	Total
2018	$ 505,000	$ 71,750	$ 576,750
2019	1,040,000	48,807	1,088,807
	$ 1,545,000	$ 120,557	$ 1,665,557

B. Related Organizations

The City appoints members to the boards of the following organizations. The City's accountability for the organizations does not extend beyond making these appointments, and there is no fiscal dependency by these organizations on the City.

Grand Junction Housing Authority

The Housing Authority (the Authority) is charged with providing safe and sanitary dwelling accommodations as resources permit at rents which persons of low income can afford. The Authority is governed by a seven-member board, all appointed by the City Council.

Horizon Drive Business Improvement District

The function of the Horizon Drive Business Improvement District (the District) Board of Directors is to take such actions and perform such duties as are required of the operations of the District. The District is allowed to make and contemplate a broad range of public improvements. The District is governed by a seven-member board, all appointed by the City Council.

NOTE 13. CONTINGENCIES

A. Risk Management

The City is exposed to various risks of loss related to employee health claims; torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established the Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Internal Service Fund provides coverage for up to a maximum of $500,000 per occurrence on each worker's compensation claim and up to $150,000 for each general liability or property damage claim. The City purchases an excess policy for claims above the self-insured retention for worker's compensation and participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA) for claims in excess of coverage for general liability, crime, police professional liability, E & O and property. The City's share of surplus contributions held by CIRSA at December 31, 2017 was $309,398. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

All funds of the City and the Joint Sewer System participate in the program and make payments to the Self-Insurance Internal Service Fund at amounts that approximate amounts which would have been paid to outside insurance providers. The claims liability of $3,300,898 in the Self-Insurance Internal Service Fund at December 31, 2017 includes estimated ultimate losses for claims made and claims incurred but not reported, where information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider these factors. Changes in the Self-Insurance Internal Service Fund's claims liability amount in 2016 and 2017 were:

	January 1, Claims Payable	Claims and Changes in Estimates	Claim Payments	December 31, Claims Payable
2016	$ 1,367,435	$ 1,640,001	$ (1,050,530)	$ 1,956,906
2017	$ 1,956,906	$ 2,454,852	$ (1,110,860)	$ 3,300,898

B. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Litigation

The City is involved in several claims and lawsuits as the result of the normal conduct of City business. City management believes that those claims and lawsuits will not have a material effect on the financial statements of the City.

NOTE 14. CONDUIT DEBT OBLIGATIONS

The City has sponsored industrial revenue and special assessment bond issues to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These issues do not constitute debt of the City and the City assumes no financial obligation for these bond issues. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Special Assessment Bonds were issued in 2003 for $3,980,000 to fund improvements to the Rimrock Marketplace General Improvement District. The City is not liable for repayment of the debt, but the Deputy Finance Director acts as agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable.

NOTE 15. SEIZED FUNDS

The City received proceeds from the seizure of contraband (seized funds) under the Colorado Contraband Forfeiture Act (C.R.S. 16 13 501 to 511). The act requires that seized funds be used for law enforcement activities. Seized funds received by the City have been included in these financial statements, and these funds have been used for purposes contemplated in the Act.

NOTE 16. TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations and certain election requirements, which apply to the State of Colorado and all local governments.

Future spending and revenue limits are determined based on the prior year's "Fiscal Year Spending" adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. In April 2007, City of Grand Junction voters approved the retention by the City of all revenues exceeding the Fiscal Year Spending limit for 2006 and subsequent years until the Riverside Parkway bonded debt is paid in full with all amounts retained to be used exclusively for payment of the debt. To that end, $23,488,928 has been restricted for payment of the debt. In addition to these funds, City Council assigned $7,163,046 of general fund balance to be used for the early retirement of the Riverside Parkway Bonds. In 2012, the City used $19,000,000 of these available resources with proceeds from the 2012 General Fund Revenue Refunding Bonds to advance refund $49,340,000 of the outstanding Riverside Parkway Revenue 2004 Series Bonds.

In April 2017, voters approved ballot question 2B which will make it possible for the City to use the excess TABOR funds in the Riverside Parkway account to augment what is currently being invested in street maintenance projects and neighborhood pavement preservation. This approval will sunset after 5 years on December 31, 2022.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Emergency reserves as of December 31, 2017, totaling $2,000,000, are presented as a reservation of fund balance in the General Fund. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to interpretation. The City's management believes the City is in compliance with the provisions of TABOR as it is understood from judicial interpretations, legal opinions and commonly accepted practices.