TOWN OF LAKE CITY
LAKE CITY, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

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TOWN OF LAKE CITY, COLORADO

BOARD OF TRUSTEES
DECEMBER 31, 2016

FINANCIAL SECTION

The discussion and analysis of the Town of Lake City's financial performance provides an overall review of the Town's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to broaden their understanding of the Town's financial performance.

Financial Highlights

The Town of Lake City's financial statements consist of both governmental and business-type activities presented on the full accrual basis of accounting, essentially meaning that all earned revenues and incurred expenses are reported during the current period and all assets and liabilities are presented on the statement of net position (balance sheet). The governmental activities represent the combined balances of the General and Conservation Trust Funds as adjusted for long term assets and liabilities that are not presented in those funds (modified accrual basis of accounting). Under the modified accrual basis, assets are only reported if they are available to meet current cash flow needs and liabilities are only recorded if they will be paid within a short period of time subsequent to the end of the year. As the business type activity is presented under the same accounting rules as the Water and Sewer Fund, all of the financial information is identical under both presentations.

The Town of Lake City's governmental net position decreased by $12,814 and business-type net position increased by $842,846 for the year.

- The assets of the Town exceeded its liabilities at the close of fiscal year 2016 by $4,803,035 *(net position).* Of this amount, $215,908 *(unrestricted net position)* may be used to meet the Town's ongoing obligations or unforeseen expenses.

- At the end of 2016 total net position for the proprietary funds (business-type activities) was $3,214,897 with the total net position for the governmental funds was $1,588,138.

  As of the close of fiscal year 2016, the Town's General Fund reported an ending fund balance of $426,832 compared to the fiscal year 2015 balance of $357,268.

- Governmental Activities - 2016 revenues decreased from $1,133,042 in 2015 to $597,709 in 2016 a change of $535,333. Expenditures decreased by $687,075 from $1,211,052 in 2015 to $523,977 in 2016.

  General Fund – 2016 revenues decreased from $1,129,283 to 593,541 a decrease of $535,742. The Town recognized increases in sales tax receipts but the decrease is based on previous year grant monies for the Armory project. General Fund expenditures decreased by $535,742 to $593,541, primarily related to capital project expenditures for the Armory.

Using the Basic Financial Statements

The Basic Financial Statements consist of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Town of Lake City as a combined operating entity and not based on individual operating areas. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the Town's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail. The governmental fund statements tell how general Town services were financed in the short term as well as what remains for future spending. The Town has one major governmental fund, the General Fund. The Town also has one non-major governmental fund, the Conservation Trust Fund which receives funding from lottery dollars that are required to be used for parks facilities.

Proprietary fund statements offer short and long-term financial information about the activities that the Town operates as a business. The Town operates one proprietary fund, the Water and Sewer Fund.

Fiduciary fund statements would provide information about financial relationships where the Town acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. The Town does not have any fiduciary funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the Town as a Whole

The Town's total net position was $4,803,035 as of December 31, 2016 and $3,973,003 as of December 31, 2015. This represents an increase of $830,032. The business-type activity (Water and Sewer) increase is primarily related to the receipt of capitalized water improvement grants during 2016.

Government-Wide Financial Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private businesses. The statements of net position include all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how they have changed. The change in net position is important because it tells the reader that for the Town as a whole, the financial position of the Town has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions, and state or federal government required programs.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues *(Governmental Activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(Businesstype Activities).* The Governmental Activities of the Town include: general government, public safety (police), public works, and parks and recreation. The Businesstype Activities of the Town of Lake City consists of water and sewer.

Net Position

Net position might serve over time as a useful indicator of a government's financial position. In the case of the Town of Lake City, assets and deferred outflows exceeded liabilities and deferred inflows (net position) by $4,803,035 at the close of 2016.

Net position of the Town at December 31, 2016 was as follows:

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and Other Assets	$ 549,463	$ 541,718	$ 1,072,898	$ 1,118,947	$ 1,622,361	$ 1,660,665
Capital Assets, net	1,382,681	1,407,165	3,059,464	1,983,086	4,442,145	3,390,251
TOTAL ASSETS	1,932,144	1,948,883	4,132,362	3,102,033	6,064,506	5,050,916
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	146,895	39,740	(4,652)	19,606	142,243	59,346
LIABILITIES						
Current Liabilities	43,841	109,927	93,799	28,724	-	-
Non-Current Liabilites	369,926	207,175	815,883	720,818	-	-
TOTAL LIABILITIES	413,767	317,102	909,682	749,542	1,323,449	1,066,644
Deferred Inflows						
Unavailable Revenue - Property Taxes	77,134	70,569	3,131	46	80,265	70,615
Net Position						
Net Investment in Capital Assets	1,382,681	1,407,165	3,059,464	1,983,086	4,442,145	3,390,251
Restricted Net Position	26,160	36,992	118,822	-	144,982	36,992
Unrestricted	179,297	156,795	36,611	388,965	215,908	545,760
TOTAL NET POSITION	**$ 1,588,138**	**$ 1,600,952**	**$ 3,214,897**	**$ 2,372,051**	**$ 4,803,035**	**$ 3,973,003**

The bulk of the Town's resources, $4,442,145 are invested in capital assets. These assets consist of land and improvements, buildings, equipment, and utility system assets and are not available to fund current operations.

The Town of Lake City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lake City's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from other sources since; in general, the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Position

The beginning net position for the Governmental and Business-type Activities was restated to reflect the adoption of new pension accounting standards.

A summary of the changes in net position is as follows:

Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
Program Revenues	2016	2015	2016	2015	2016	2015
Charges for Services	$ 40,224	$ 28,573	$ 577,521	$ 591,907	$ 617,745	$ 620,480
Operating Grants and Contrib.	44,543	115,884	-	-	44,543	115,884
Capital Grants and Contrib.	49,131	552,801	760,243	284,048	809,374	836,849
Total Program Revenues	133,898	697,258	1,337,764	875,955	1,471,662	1,573,213
General Revenues:						
Taxes	457,588	434,113	-	-	457,588	434,113
Other General Revenues	6,223	1,671	6,167	21,145	12,390	22,816
Total General Revenues	463,811	435,784	6,167	21,145	469,978	456,929
Total Revenues	597,709	1,133,042	1,343,931	897,100	1,941,640	2,030,142
Program Expenses						
General Government	219,547	130,226	-	-	219,547	130,226
Public Safety	70,893	71,194	-	-	70,893	71,194
Public Works	89,173	84,729	-	-	89,173	84,729
Parks and Recreation	218,182	174,697	-	-	218,182	174,697
Capital Outlay - Non Capitalized	12,728	-	-	-	12,728	-
Water & Sewer Utility	-	-	501,085	594,057	501,085	594,057
Total Expenses	610,523	460,846	501,085	594,057	1,111,608	1,054,903
Change in Net Position	(12,814)	672,196	842,846	303,043	830,032	975,239
Net Position, Beginning	1,600,952	1,073,687	2,372,051	2,264,179	3,973,003	3,337,866
Prior Period Restatement	-	(144,931)	-	(195,171)	-	(340,102)
Net Position, Beginning (As Restated)	1,600,952	928,756	2,372,051	2,069,008	3,973,003	2,997,764
Net Position, Ending	**$ 1,588,138**	**$ 1,600,952**	**$ 3,214,897**	**$ 2,372,051**	**$ 4,803,035**	**$ 3,973,003**

Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

General Fund – The General Fund went from a balance of $357,268 to $426,832. This increase is principally the result of the completion of Armory improvement project, an increase in sales tax revenues and a reduction in expenditures.

Proprietary Fund - Proprietary funds historically operate as an enterprise fund using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the business-type activities of the Town as a whole. The proprietary fund statement, however, will provide a greater level of detail than the information found in the government-wide statements. The Town of Lake City's only proprietary/enterprise fund is its Water and Sewer Fund.

Water and Sewer Enterprise Fund – The Water and Sewer Fund net position increased due to capital improvements.

Capital Assets

Approximately 42% of the Town's net capital assets support governmental activities. The majority of the value is invested in land, buildings and improvements.

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Governmental Activities:				
Assets not being depreciated				
Land	$ 284,078	$ -	$ -	$ 284,078
Construction in Progress	841,930	-	(841,930)	-
Total assets not being depreciated	1,126,008	-	(841,930)	284,078
Assets being depreciated				
Buildings and Improvements	608,291	853,659	-	1,461,950
Machinery and Equipment	179,393	5,158	-	184,551
Total assets being depreciated	787,684	858,817	-	1,646,501
Less: Accumulated depreciation				
Buildings and Improvements	(353,081)	(35,634)	-	(388,715)
Machinery and Equipment	(153,446)	(5,736)	-	(159,182)
Total accumulated depreciation	(506,527)	(41,370)	-	(547,897)
Net Capital Assets	**$ 1,407,165**	**$ 817,447**	**$ (841,930)**	**$ 1,382,682**

The Town's business-type activities capital assets consist of its investments in its water and sewer utility systems and related equipment.

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Business - Type Activities:				
Assets not being depreciated				
Land and Water Rights	$ 76,697	$ -	$ -	$ 76,697
Construction in Progress	554,096	1,150,346	-	1,704,442
Total assets not being depreciated	630,793	1,150,346	-	1,781,139
Assets being depreciated				
Buildings and Improvements	56,153	-	-	56,153
Utility Plant and Systems	3,044,205	15,905	-	3,060,110
Equipment	351,822	-	-	351,822
Total assets being depreciated	3,452,180	15,905	-	3,468,085
Less: Accumulated depreciation				
Buildings and Improvements	(43,468)	(1,404)	-	(44,872)
Utility Plant and Systems	(1,825,143)	(67,679)	-	(1,892,822)
General and Transportation Equipment	(231,276)	(20,790)	-	(252,066)
Total accumulated depreciation	(2,099,887)	(89,873)	-	(2,189,760)
Net Capital Assets	**$ 1,983,086**	**$ 1,076,378**	**$ -**	**$ 3,059,464**

Long-Term Debt

Governmental activity long-term debt consists of accrued compensated absences payable. The Town had no other governmental activity long-term debt outstanding as of December 31, 2016.

Governmental activities debt transactions for the year were as follows:

Governmental Activities	Balance 1/1/2016	Advances	Repayments	Balance 12/31/2016
Compensated Absences	$ 11,491	$ 4,032	$ -	$ 15,523

Business-type activities debt transactions for the year were as follows. The Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority in the amount of $500,000 to be used towards water system improvements. The Town received a loan forgiveness in 2016.

Business - Type Activities	Balance 1/1/2016	Advances	Repayments	Balance 12/31/2016	Current Portion
2015 CWRPDA Note Payable	$ 491,667	$ -	$ (16,667)	$ 475,000	$ 16,667
2016 CWRPDA Note Payable	-	169,100	(470)	168,630	168,630
Compensated Absences	3,482	-	(1,867)	1,615	-
Total Obligations	**$ 495,149**	**$ 169,100**	**$ (19,004)**	**$ 645,245**	**$ 185,297**

General Fund Budget

The General Fund accounts for all of the general government services provided by the Town of Lake City including: public safety (Sheriff), public works, parks and recreation, and general government services. The Town has traditionally and prudently under budgeted revenues due to the fragile seasonal economy.

Economic Factors and Future Budgets and Rates

Several changes are anticipated in coming years:

- The Town's net position is due to improve because of the significant investments the Town committed to make in 2015 and continued in 2016 to improve and add on to the Armory, replace old waterlines and make needed sewer plant improvements.

- The Town took on $500,000 in debt in 2015 and an additional $500,000 in debt in 2016 in order to fund replacement of old waterlines. The debt has a 0% interest rate and was forgiven in 2016.

- For the first time, the Town has created a capital improvement plan and intends to set aside funds yearly to accomplish an ongoing capital replacement program for both Government and Enterprise fund capital assets. This program should help to avoid deferred maintenance issues the Town is now addressing.

- The Board of Trustees are working toward adopting a balanced budget where expenditures do not exceed revenues. In 2016, the Board of Trustees adopted a 2017 budget where anticipated expenditures do not exceed anticipated revenues. The 2016 adopted budget reflected a General Fund deficit of $9,525, all of which is related to capital improvements and replacements.

Request for Information

The financial statements are designed to provide information for regulatory reporting to federal and state agencies and those with an interest in the Town's finances. Questions concerning this or any additional information should be addressed to:

Town Manager
PO Box 544
Lake City, CO 81235

Holscher, Mayberry & Company, LLC
Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Trustees
Town of Lake City
Lake City, Colorado

INDEPENDENT AUDITORS' REPORT

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 Town of Lake City, Colorado, as of and for the year ended December 31, 2016, and the related noted to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Town of Lake City's 2015financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

8310 South Valley Highway – Suite 300
Englewood, Colorado 80112
Voice (303) 993 – 2199
Fax (720) 633 – 9763

Other Matters

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M8 and pension schedules on pages 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on pages 37-38 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. In addition, the budgetary comparison schedules on pages 39-40 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, 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 *Government Auditing Standards*, we have also issued our report dated June 26, 2017 on our consideration of the Town of Lake City's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of 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 Town of Lake City's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 41 - 44 is presented for purposes of legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
June 26, 2017

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the Town's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of all funds and activities as of December 31, 2016.

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Town of Lake City

Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total 2016
ASSETS			
Cash and Investments	$ 380,329	$ 311,674	$ 692,003
Restricted Cash and Investments	-	296,607	296,607
Property Tax Receivable	70,630	-	70,630
Accounts Receivable	5	107,952	107,957
Intergovernmental Receivable	98,499	293,611	392,110
Inventory	-	63,054	63,054
Capital Assets not being depreciated	284,078	1,781,139	2,065,217
Capital Assets being depreciated	1,098,603	1,278,325	2,376,928
TOTAL ASSETS	1,932,144	4,132,362	6,064,506
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
Pension Difference Between Actual and Expected Experience - net	2,659	1,280	3,939
Pension Difference Between Actual and Expected Earnings - net	68,225	32,849	101,074
Pension Change In Plan Level Proportion - net	1,582	762	2,344
Pension Contribution Timing Difference	23,478	11,408	34,886
Pension Change in Internal Proportion - net	50,951	(50,951)	-
TOTAL DEFERRED OUTFLOWS	146,895	(4,652)	142,243
LIABILITIES			
Accounts Payable	23,909	90,123	114,032
Accrued Payroll	19,932	3,676	23,608
Noncurrent Liabilities - Due within one year	-	185,297	185,297
Noncurrent Liabilities - Due in more than one year	369,926	630,586	1,000,512
TOTAL LIABILITIES	413,767	909,682	1,323,449
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Revenue	70,630	-	70,630
Pension Difference Between Actual and Expected Experience - net	12	6	18
Changes of Assumptions - net	6,492	3,125	9,617
TOTAL DEFERRED INFLOWS	77,134	3,131	80,265
NET POSITION			
Net Investment in Capital Assets	1,382,681	3,059,464	4,442,145
Restricted			
for Emergencies	18,000	-	18,000
for Parks	8,160	-	8,160
for Debt Service	-	118,822	118,822
Unrestricted	179,297	36,611	215,908
TOTAL NET POSITION	$ 1,588,138	$ 3,214,897	$ 4,803,035

See the accompanying Independent Auditors' Report

Town of Lake City

Statement of Activities
For the Year Ended December 31, 2016

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General Government	$ (219,547)	$ 25,359	$ 8,088	$ -
Public Safety	(70,893)	2,355	-	-
Public Works	(89,173)	-	35,324	-
Parks and Recreation	(218,182)	12,510	1,131	49,131
Capital Outlay - Non Capitalized	(12,728)	-	-	-
Total Governmental Activities	(610,523)	40,224	44,543	49,131
Business-Type Activities:				
Water and Sewer Utility	(501,085)	577,521	-	760,243
Total Primary Government	$ (1,111,608)	$ 617,745	$ 44,543	$ 809,374

General Revenues
Taxes
Investment Earnings
Other Revenues
Total General Revenues

Change in Net Position
Net Position - Beginning

Net Position - Ending

See the accompanying Independent Auditors' Report

Net (Expense) Revenue and Change in Net Position		
Governmental Activites	Business Type Activities	Total
$ (186,100)	$ -	$ (186,100)
(68,538)	-	(68,538)
(53,849)	-	(53,849)
(155,410)	-	(155,410)
(12,728)	-	(12,728)
(476,625)	-	(476,625)
-	836,679	836,679
(476,625)	836,679	360,054
457,588		457,588
1,428	6,167	7,595
4,795	-	4,795
463,811	6,167	469,978
(12,814)	842,846	830,032
1,600,952	2,372,051	3,973,003
$ 1,588,138	$ 3,214,897	$ 4,803,035

Town of Lake City

Balance Sheet
Governmental Funds
December 31, 2016
(With Comparative Totals for December 31, 2015)

	General Fund	Nonmajor Spec. Rev. Cons. Trust Fund	Total 2016	Total 2015
ASSETS				
Cash and Investments	$ 372,169	$ 8,160	$ 380,329	$ 406,996
Property Tax Receivable	70,630	-	70,630	70,530
Accounts Receivable	5	-	5	2
Intergovernmental Receivable	98,499	-	98,499	64,190
TOTAL ASSETS	541,303	8,160	549,463	541,718
LIABILITIES				
Accounts Payable	23,909	-	23,909	95,883
Accrued Payrol	19,932	-	19,932	14,045
TOTAL LIABILITIES	43,841	-	43,841	109,928
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Deferred Revenue	70,630	-	70,630	70,530
FUND BALANCE				
Restricted				
for Emergencies	18,000	-	18,000	33,000
for Parks	-	8,160	8,160	3,992
Committed				
for Capital Reserves	128,000	-	128,000	128,000
Unassigned	280,832	-	280,832	196,268
TOTAL FUND BALANCE	$ 426,832	$ 8,160	$ 434,992	$ 361,260

See the accompanying Independent Auditors' Report

Town of Lake City

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2016

Governmental Fund Balance		$ 434,992
Capital Assets are expensed when purchased at the fund level and capitalized and depreciated at the activity level		
Capital Assets not being depreciated	284,078	
Capital Assets being depreciated	1,646,500	
Accumulated Depreciatio	(547,897)	1,382,681
Certain long-term pension related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds		
Net pension liability	(354,403)	
Contributions subsequent to measurement date	23,478	
Difference between projected and actual investment returns on the pension plan	90,169	
Amortization of the investment return difference	(21,944)	
Difference between projected and actual pension plan experience	4,803	
Amortization of the experience difference	(2,144)	
Change in proportionate share of the net pension liability - plan level	4,805	
Amortization of the change in proportion - plan level	(3,223)	
Change in proportionate share of the net pension liability - fund level	98,693	
Amortization of the change in proportion - fund level	(47,742)	
Difference between projected and actual pension plan experience	(103)	
Amortization of the experience difference	91	
Changes of assumptions	(11,727)	
Amortization of chane in proportic	5,235	(214,012)
Accrued leave is expensed when paid at the fund level and recorded as a liability when earned at the activity level		
Accrued Compensated Absence		(15,523)
Governmental Activities Net Positio		$ 1,588,138

See the accompanying Independent Auditors' Report

Town of Lake City

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	General Fund	Nonmajor Spec. Rev. Cons. Trust Fund	Total 2016	Total 2015
REVENUES				
Taxes	$ 457,588	$ -	$ 457,588	$ 434,113
Licenses, Permits and Fees	18,375	-	18,375	13,865
Intergovernmental Revenue	88,418	4,125	92,543	613,368
Charges for Goods and Services	19,494	-	19,494	14,183
Fines and Forfeits	2,355	-	2,355	525
Other Revenues	7,311	43	7,354	56,988
TOTAL REVENUES	593,541	4,168	597,709	1,133,042
EXPENDITURES				
General Government	164,785	-	164,785	128,099
Public Safety	70,893	-	70,893	71,194
Public Works	76,029	-	76,029	78,349
Parks and Recreation	182,657	-	182,657	156,265
Capital Outlay	29,613	-	29,613	777,145
TOTAL EXPENDITURES	523,977	-	523,977	1,211,052
CHANGE IN FUND BALANCE	69,564	4,168	73,732	(78,010)
FUND BALANCE, BEGINNING	357,268	3,992	361,260	439,270
FUND BALANCE, ENDING	$ 426,832	$ 8,160	$ 434,992	$ 361,260

See the accompanying Independent Auditors' Report

Town of Lake City

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Funds to the Statement of Activities December 31, 2016

Governmental Change in Fund Balance		$ 73,732
Capital Assets are expensed when purchased at the fund level and capitalized and depreciated at the activity level		
Capital asset additions	16,885	
Depreciation expens	(41,370)	(24,485)
Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
Change in contributions subsequent to the measurement date	310	
Current year projected to actual investment return difference	76,904	
Current year amortization of overall investment return differences	(19,291)	
Change in net pension asset/liability	(158,719)	
Current year projected to actual pension plan experience difference	(33)	
Current year amortization of overall experience differences	60	
Change in the changes of assumptions	(11,727)	
Change in the amortization of change in assumptions	5,235	
Current year projected to actual experience difference	4,803	
Current year amortization of oexperience difference	(2,144)	
Current year change in proportionate share of cost-sharing plan asset/liability	3,109	
Current year amortization of overall proportionate share differences	(2,475)	
Current year change in proportionate share of activity level asset/liabil	89,948	(14,020)
Accrued leave is expensed when paid at the fund level and recorded as a liability when earned at the activity level		
Change in accrued compensated absence		(4,032)
Governmental Activities Net Positio		$ 31,195

See the accompanying Independent Auditors' Report

Town of Lake City

Statement of Net Position
Proprietary Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	Water and Sewer Fund	
	2016	**2015**
ASSETS		
Current Assets		
Cash and Investments	$ 311,674	$ 315,548
Restricted Cash and Investments - Loan Escrow	296,607	355,150
Accounts Receivable	107,952	134,718
Intergovernmental Receivable	293,611	250,477
Inventory	63,054	63,054
Total Current Assets	1,072,898	1,118,947
Noncurrent Assets		
Capital Assets not being depreciated		
Land	76,697	76,697
Construction in Progress	1,704,442	554,096
Capital Assets being depreciated		
Buildings and Improvements	56,153	56,153
Utility Plant and System	3,060,109	3,044,204
Equipment	351,821	351,821
Accumulated Depreciation	(2,189,758)	(2,099,885)
Net Noncurrent Assets	3,059,464	1,983,086
TOTAL ASSETS	4,132,362	3,102,033
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Pension Difference Between Actual and Expected Experience - net	1,280	-
Pension Difference Between Actual and Expected Earnings - net	32,849	12,357
Pension Change in Plan Level Proportion - net	762	1,106
Pension Contribution Timing Difference	11,408	11,155
TOTAL DEFERRED OUTFLOWS	46,299	24,618
LIABILITIES		
Current Liabilities		
Accounts Payable	90,123	28,724
Accrued Payroll	3,676	-
Total Current Liabilities	93,799	28,724
Noncurrent Liabilities		
Noncurrent Liabilities - Due within one year	185,297	16,667
Noncurrent Liabilities - Due in more than one year	630,586	704,151
Total Noncurrent Liabilities	815,883	720,818
TOTAL LIABILITIES	909,682	749,542
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Pension Difference Between Actual and Expected Experience - net	6	46
Changes of Assumptions - net	3,125	-
Pension Internal Proportion Change - net	50,951	5,012
TOTAL DEFERRED INFLOWS	54,082	5,058
NET POSITION		
Net Investment in Capital Assets	3,059,464	1,983,086
Restricted Net Position	118,822	153,914
Unrestricted Net Position	36,611	235,051
TOTAL NET POSITION	$ 3,214,897	$ 2,372,051

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

Town of Lake City

Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	Water and Sewer Fund	
	2016	**2015**
Operating Revenues		
Water Charges	$ 325,010	$ 330,139
Sewer Charges	250,641	258,967
Other Charges for Goods and Services	1,043	147
Other Revenues	827	2,654
Total Operating Revenues	577,521	591,907
Operating Expenses		
Water Wells	41,802	60,160
Water Distribution	4,128	28,989
Sewer Collection	20,495	24,380
Sewer Treatment	44,815	42,959
Utility Administration	138,181	167,559
Overhead Charges	161,791	179,339
Depreciation	89,873	90,671
Total Operating Expenses	501,085	594,057
Operating Income (Loss)	76,436	(2,150)
Other Revenues (Expenses)		
Investment Earnings	6,167	2,082
Insurance Proceeds	-	19,063
Net Other Revenues (Expenses)	6,167	21,145
Net Income	82,603	18,995
Capital Contributions		
Grant and Loan Proceeds	754,743	281,298
Connection Charges	5,500	2,750
Change in Net Position	842,846	303,043
Net Position - Beginning	2,372,051	2,069,008
Net Position - Ending	$ 3,214,897	$ 2,372,051

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

Town of Lake City

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	Water and Sewer Fund	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from customers	$ 604,287	$ 598,445
Cash paid to suppliers	(265,434)	(357,075)
Cash paid to/for benefit of employees	(110,260)	(138,340)
Net Cash Provided (Used) by Operating Activities	228,593	103,030
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Insurance Proceeds	-	19,063
CASH FLOWS FROM CAPTAL FINANCING ACTIVITIES		
Acquisition of Capital Assets	(1,166,250)	(490,533)
Note Proceeds	169,100	500,000
Debt Principal Payments	(17,136)	(8,333)
Grant Proceeds	711,609	36,599
Capital contributions	5,500	2,750
Net Cash Used by Capital Financing Activities	(297,177)	40,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Receivec	6,167	2,082
Net Increase (Decrease) in Cash and Equivalents	(62,417)	164,658
Cash and Equivalents, Beginning	670,698	506,040
Cash and Equivalents, Ending	$ 608,281	$ 670,698
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ 76,436	$ (2,150)
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	89,873	90,671
(Increase) Decrease in:		
Accounts Receivable	26,766	6,538
Pension Related Deferred Outflows	(21,681)	(6,953)
Increase (Decrease) in:		
Accounts Payable	61,398	(406)
Accrued Payroll	3,676	-
Accrued Compensated Absences	338	(1,887)
Net Pension Liability	(57,237)	12,159
Pension Related Deferred Inflows	49,024	5,058
Net Reconciliation Adjustments	152,157	105,180
Net Cash Provided (Used) by Operating Activities	$ 228,593	$ 103,030

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lake City, the "Town", was incorporated on August 16, 1875, and became a statutory town under the laws of the State of Colorado. The Town is governed by a Board of Trustees elected by eligible voters of the Town. The Town provides the following services: Public Safety, Highways and Streets, Culture and Recreation, Planning and Zoning and General Administration Services. In addition, the Town provides Water and Sewer services for its residents through the proprietary fund. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's basic financial statements include the accounts of all Town operations.

This summary of the Town's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements. The following is a summary of the more significant policies.

Reporting Entity

In accordance with Governmental Accounting Standards, the Town has considered the possibility of inclusion of additional entities in its basic financial statements. The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the Town. The Town may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of these criteria, there are no other entities included in the Town's reporting entity.

Government-Wide and Fund Financial Statements

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. For the 2016 fiscal year, the Town did not have any fiduciary activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses 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.

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

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

In addition, the Town also reports a non-major special revenue fund, the Conservation Trust Fund.

The Town also reports the following major proprietary fund:

Water and Sewer Fund – This fund accounts for the activities related to offering the listed services to the Town's residents. This fund includes amounts internally as reported as capital reserves which has been consolidated for this presentation.

Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements. Budgets are adopted based on the requirements of state statutes. The following timetable is used:

(1) Submission of the proposed budget to the Board of Trustees by October 15 of each year.
(2) Certification of mill levies to the County Commissioners by December 15 of each year.
(3) Final adoption of the budget and appropriations by December 15 of each year.

Formal budgetary integration is employed as a management control device for all funds of the Town. All fund budgets are adopted on a basis consistent with GAAP with the exception of the proprietary fund. The budget for the proprietary fund varies from GAAP in that depreciation and amortization of debt costs are not considered expenditures for budget purposes. In addition, capital expenditures and debt retirement payments are budgeted as expenditures.

Budgets presented are either as adopted, or amended for the current fiscal year. Encumbrance accounting is not utilized as all appropriations lapse at year end. Expenditures may not exceed appropriations at the fund level.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less.

Property Taxes

Property taxes for the Town are levied by the Town Board and certified for collection to Hinsdale County by December 15 of each year. These taxes become due January 1 of the succeeding year and are payable in full by April 30 or in two installments by June 15 in the year of collection. Property taxes levied in the current year for collection in the subsequent year by the General Fund are included in receivables and deferred inflows at year end. These taxes are classified as deferred inflows since they were levied for and are not available to the Town until the subsequent year.

Inventory

Inventories are valued at cost, using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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.

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

	Useful Life
Buildings and improvements	15-50 years
Utility systems	5-45 years
Machinery and Equipment	3-20 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Town are allowed to accumulate unused annual leave (vacation) and, time depending on length of employment. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation time at their current rate of pay, and for all accrued sick time equal to one quarter of their current rate of pay. Employees may accumulate up to two years annual leave and up to 720 hours of sick leave. Upon accumulation of 288 sick hours, an employee may convert excess sick leave into a cash payment at the equivalent of one quarter the current pay rate. Employees may also convert sick leave to annual leave in a two to one ratio. This conversion opportunity is allowed in July of each year. For the year ended December 31, 2016, amounts presented as accumulated compensated absences report sick leave at the maximum payout in cash.

Accumulated unpaid annual and sick is accrued when earned. In the governmental fund types, accumulated compensated absences not expected to be paid with current available resources are reported as governmental activities liabilities, but not reported in the funds. Compensated absences relating to the Enterprise Funds are reported as a liability of those funds.

Deferred Outflow and Inflows of Resources

Deferred outflows/inflows of resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one type of activity that qualifies for reporting in this category. All items reported as deferred outflows are related to the Town's pension activities as further described in Note 5.

In addition to liabilities, the statement of net position reports 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 so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows for property taxes milled in 2016 to be collected in the 2017. This deferral is reported both at the governmental activity and governmental fund level. The Town also reports deferred inflows related to pension obligations as further described in Note 5.

Net Position/Fund Balance

In the government-wide financial statements and for the proprietary fund statements, Net Position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance (Continued)

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balances are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the highest formal action, the adoption of an Ordinance, of the government's highest level of decision-making authority, the Town Board, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments follows:

Cash and Investments	$	692,003
Restricted Cash and Investments		296,607
Total Cash and Investments	**$**	**988,610**

The Town's cash and investment balances are comprised of the following:

Cash	$	497,015
Investments		491,595
Total Cash and Investments	**$**	**988,610**

The Town's deposits and cash held are comprised of the following:

	Bank Balance	Book Balance
FDIC Insured	$ 250,000	$ 250,000
PDPA Secured (Not in Town's Name)	278,339	246,665
Petty Cash	-	350
Total Cash	**$ 528,339**	**$ 497,015**

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Town's deposit policy is in accordance with 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 levels ($250,000) 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 to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The 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, 2016, all of the Town's deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	Level 1	Level 2	Level 3	Total	Weighted Average Maturity
Local Govt Pool - Unrestricted	$ -	$ 194,988	$ -	$ 194,988	-
CWRPDA Loan Proceeds	-	296,607	-	296,607	N/A
Total Investments	**$ -**	**$ 491,595**	**$ -**	**$ 491,595**	

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- ***Investment Pools:*** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.
- ***Loan Proceeds:*** The underlying investments cannot be determined but are classified based on the understanding that the lender is a unit of local government in the State of Colorado and is therefore limited in the types of investments it can hold.

The Town recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2016, there were no changes in the methods or assumptions utilized to derive the fair value of the Town's assets and liabilities.

Credit Risk

The Town invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) Safety, 2) Liquidity, and 3) Yield. The Town Treasurer is responsible for all of the investments of the Town.

Eligible investments shall conform to state law and may include any of the following:

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

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

During the year ended December 31, 2016, the Town invested funds in Colotrust. As investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The pool invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to $1.00 and a maximum weighted average maturity of 60 days. These funds are rated AAAm by the Standard and Poor's Corporation.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statues. The Town's investment portfolio does not contain investments that exceed that limitation.

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer. The Town's sole investment is in Colotrust. In addition, certain investments are held by a lender for capital needs.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town Board of Trustees approves a list of financial institutions and depositories authorized to provide investment services.

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Restricted Cash and Investments

Cash and investments are restricted for the following purposes pursuant to the requirements discussed in Note 4:

Restricted Loan Proceeds	$ 296,607

NOTE 3: CAPITAL ASSETS

A summary of the Town's governmental activity capital assets is as follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Governmental Activities:				
Assets not being depreciated				
Land	$ 284,078	$ -	$ -	$ 284,078
Construction in Progress	841,930	-	(841,930)	-
Total assets not being depreciated	1,126,008	-	(841,930)	284,078
Assets being depreciated				
Buildings and Improvements	608,291	853,659	-	1,461,950
Machinery and Equipment	179,393	5,158	-	184,551
Total assets being depreciated	787,684	858,817	-	1,646,501
Less: Accumulated depreciation				
Buildings and Improvements	(353,081)	(35,634)	-	(388,715)
Machinery and Equipment	(153,446)	(5,736)	-	(159,182)
Total accumulated depreciation	(506,527)	(41,370)	-	(547,897)
Net Capital Assets	**$ 1,407,165**	**$ 817,447**	**$ (841,930)**	**$ 1,382,682**

Depreciation is charged to the Town's governmental activities as follows:

Governmental Activities:	
General Government	$ 17,073
Public Works	6,181
Parks and Recreation	18,116
Total Depreciation Allocation	**$ 41,370**

NOTE 3: CAPITAL ASSETS (Continued)

The following schedule presents business-type activities capital assets at December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Business - Type Activities:				
Assets not being depreciated				
Land and Water Rights	$ 76,697	$ -	$ -	$ 76,697
Construction in Progress	554,096	1,150,346	-	1,704,442
Total assets not being depreciated	630,793	1,150,346	-	1,781,139
Assets being depreciated				
Buildings and Improvements	56,153	-	-	56,153
Utility Plant and Systems	3,044,205	15,905	-	3,060,110
Equipment	351,822	-	-	351,822
Total assets being depreciated	3,452,180	15,905	-	3,468,085
Less: Accumulated depreciation				
Buildings and Improvements	(43,468)	(1,404)	-	(44,872)
Utility Plant and Systems	(1,825,143)	(67,679)	-	(1,892,822)
General and Transportation Equipment	(231,276)	(20,790)	-	(252,066)
Total accumulated depreciation	(2,099,887)	(89,873)	-	(2,189,760)
Net Capital Assets	**$ 1,983,086**	**$ 1,076,378**	**$ -**	**$ 3,059,464**

Depreciation is charged to the Town's business-type activities as follows:

Business-Type Activities:	
Water Utility	$ 40,462
Sewer Utility	28,621
Joint Utility	20,790
Total Depreciation Allocation	**$ 89,873**

NOTE 4: NONCURRENT OBLIGATIONS

Changes in noncurrent obligations are as follows:

Governmental Activities	Balance 1/1/2016	Advances	Repayments	Balance 12/31/2016	Current Portion	Interest Expense
Compensated Absences	$ 11,491	$ 4,032	$ -	$ 15,523	$ -	$ -

Business - Type Activities	Balance 1/1/2016	Advances	Repayments	Balance 12/31/2016	Current Portion	Interest Expense
2015 CWRPDA Note Payable	$ 491,667	$ -	$ (16,667)	$ 475,000	$ 16,667	$ -
2016 CWRPDA Note Payable	-	169,100	(470)	168,630	168,630	-
Compensated Absences	3,482	-	(1,867)	1,615	-	-
Total Obligations	**$ 495,149**	**$ 169,100**	**$ (19,004)**	**$ 645,245**	**$ 185,297**	**$ -**

CWRPDA Note Payable

In July 2015, the Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority (CWRPDA) in the amount of $500,000 to be used towards water system improvements. The Town had drawn $372,493 of the loan and had the remaining $127,507 held in escrow by CWRDPA as of December 31, 2016. The balance of the 2015 CWRPDA loan held in escrow was requested in 2017. The loan is federally subsidized and bears no interest. Principal payments of $8,333 are due semiannually beginning in November, 2015 for a period of 30 years.

In November 2016, the Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority (CWRPDA) in the amount of $169,100 to be used towards water system improvements. The loan is federally subsidized and bears no interest. The Town had drawn $0 of the loan and had the balance was still held in escrow by CWRDPA as of December 31, 2016. One payment for the loan was made during 2016 in the amount of $470. The balance of the 2016 CWRPDA loan was forgiven by the CWRPDA on May 1, 2017.

NOTE 4: NONCURRENT OBLIGATIONS (Continued)

CWRPDA Note Payable (Continued)

Principal payments mature as follows for the 2015 loan:

Fiscal Year	Principal
2017	$ 16,667
2018	16,667
2019	16,667
2020	16,667
2021	16,667
2022-2026	83,333
2027-2031	83,333
2032-2036	83,333
2037-2041	83,333
2042-2045	58,333
Total	**$ 475,000**

The note contains restrictive covenants related to rates, a pledge of water and sewer revenues and the requirement establishing a three month operations and maintenance reserve. The Town has established a reserve of $118,822 and has restricted net position in the Water and Sewer Fund, accordingly.

NOTE 5: EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT - PERA

Summary of Significant Accounting Policies

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

NOTE 5: **EMPLOYEE BENEFIT PLANS** (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

- Highest average salary multiplied by 2.5 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.

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.

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan (Continued)
Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 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.

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

January 1st through December 31st	**2014[1]**	**2015[1]**	**2016[1]**
Employer contribution rate	10.00%	10.00%	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount apportioned to the LGDTF	8.98%	8.98%	8.98%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%	1.50%
Total employer contribution rate to the LGDTF	**12.68%**	**12.68%**	**12.68%**

[1] Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan (Continued)
Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Town were $34,323 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, 2016, the Town reported a liability of $525,041 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Town proportion of the net pension liability was based on the Town contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the Town proportion was .04766%, which was an increase of .00041% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Town recognized pension expense of $59. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 3,939	$ (19)
Changes of assumptions or other inputs	$ -	$ (9,617)
Net difference between projected and actual earnings on pension plan	$ 101,074	$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ 2,344	$ -
Contributions subsequent to the measurement date	$ 34,885	$ -
Total	$ 142,242	$ (9,636)

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)
$34,885 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, 2017. 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:	Fiscal Year Amortization
2017	$ (24,094)
2018	(25,987)
2019	(26,716)
2020	(20,924)
Total	$ (97,721)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increase, including wage inflation	3.90-10.85%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1//07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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.

The actuarial assumptions used in the December 31, 2014 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.

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
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.

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

Sensitivity of Town 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% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	$ 804,942	$ 525,041	$ 292,891

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.

Internal Allocations

The Town's internal allocation of the PERA net pension liability and related deferred outflows and inflows of resources is determined by the underlying payroll amounts. The allocation of the payroll for the years ended December 31, 2015, 2014, and 2013 were as follows:

	General Fund	Water & Sewer Fund	Total All Funds
12/31/13 Allocation	44.00%	56.00%	100.00%
12/31/14 Allocation	46.20%	53.80%	100.00%
12/31/15 Allocation	67.50%	32.50%	100.00%

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

Internal Allocations (Continued)
Accordingly, the Town is required to allocate the net pension liability based on those amounts which creates a change in internal proportion that is reflected as either a deferred outflow or inflow in the respective activity and fund. The change in proportion is amortized and will be reflected as an adjustment to the activity or funds pension expense as follows:

Life	2.27	2.27
12/31/14 Change	$ (8,475)	$ 8,475
2015	3,733	(3,733)
2016	3,733	(3,733)
2017	1,009	(1,009)
2018	-	-
Net	$ -	$ -

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees have the option of contributing pre or post-tax dollars. There are no matching contributions from the Town.

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description – The Town contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Town is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016 and the preceding two fiscal years, the District contributions to the HCTF were $2,806, $2,761, and $2,678, respectively, equal to their required contributions for each year.

NOTE 7: RISK MANAGEMENT

The Town 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. The Town purchases sufficient commercial insurance to cover losses from these events, and does not self-insure or participate in a public entity risk pool. All risk management activities are allocated among the various funds according to actual or perceived risk as determined by management and the Board of Trustees. Settlement amounts have not exceeded insurance coverage for the three prior years. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but which not have been reported, are considered. There are no outstanding claims or incurred but not reported liabilities (IBNR) for the year ended December 31, 2016.

NOTE 8: COMMITMENTS AND CONTIGENCIES

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. In November 1994, voters within the Town approved the collection, retention and expenditure of the full revenues generated by the existing 4% County-wide sales and use tax and non-federal grants.

The voters of the Town of Lake City, Colorado passed a second ballot issue in 1999 authorizing the Town to collect and expend the full revenues generated during 1998 and each subsequent year, from its existing tax rates, to receive and expend state grants and funds from other sources and to receive and expend all sales and property tax revenues without limitations or condition and without limiting the collection or spending of any other revenues or funds under Article X, Section 20 of the Colorado Constitution or any other law.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of $18,000 was recorded in the General Fund.

Other Contingencies

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9: RATE MAINTENANCE CALCULATION

The 2015 Colorado Water Resources and Power Development Authority water loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and parity debt coming due.

The computation of said rate maintenance is as follows:

	Water & Sewer Fund
Gross operating revenue	$ 576,694
Other revenue	6,994
Total revenue	583,688
Operations and maintenance expense	501,086
Less: Depreciation	(89,873)
Adjusted O&M	411,213
Net revenue	172,475
Total debt service	
CWRPDA Loans	17,137
Required rate	110%
Net revenue required	18,851
Excess (deficit)	**$ 153,624**

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REQUIRED SUPPLEMENTARY INFORMATION

(Pension Schedules Unaudited)

Town of Lake City

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years[1]

	6/30/16	6/30/15	6/30/14
District's proportion of the net pension asset (liability)	0.047663%	0.047256%	0.046810%
District's proportionate share of the net pension asset (liability)	$ (525,041)	$ (423,559)	$ (385,207)
District's covered-employee payroll	$ 198,055	$ 199,840	$ 203,904
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	265.10%	211.95%	188.92%
Plan fiduciary net position as a percentage of the total pension liability	76.87%	79.31%	81.00%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

Town of Lake City

SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years[(1)]

	6/30/16	6/30/15	6/30/14
Contractually required contributions	$ 34,323	$ 32,834	$ 31,666
Actual contributions	(34,323)	(32,834)	(31,666)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 198,055	$ 199,840	$ 203,904
Contributions as a percentage of covered-employee payroll	17.33%	16.43%	15.53%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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REQUIRED SUPPLEMENTARY INFORMATION

Town of Lake City

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	2016			
	Original & Final Budget	**Actual**	**Var with Fin Bud Pos / (Neg)**	**2015 Actual**
REVENUES				
Taxes				
Property and Sales Taxes	$ 70,530	$ 70,270	$ (260)	$ 67,175
Specific Ownership Taxes	3,275	4,975	1,700	4,248
Sales Taxes	300,000	323,499	23,499	304,279
Use Taxes	35,750	34,951	(799)	39,493
Franchise Taxes	10,000	22,167	12,167	18,552
Other Tax Collections	400	1,726	1,326	366
Total Taxes	419,955	457,588	37,633	434,113
Licenses, Permits and Fees				
Building Permits	10,000	13,958	3,958	9,641
Liquor Licenses	2,000	2,650	650	2,273
Other Licenses,Permits and Fees	1,865	1,767	(98)	1,951
Total Licenses, Permits and Fees	13,865	18,375	4,510	13,865
Intergovernmental Revenue				
Cigarette Taxes	1,000	1,216	216	1,116
Mineral & Severance Taxes	-	6,872	6,872	22,973
Highway Users Tax	31,044	32,538	1,494	33,833
Road & Bridge Tax	2,500	2,786	286	2,645
Motor Vehicle Clerk Fees	2,500	-	(2,500)	-
Other Intergovernmental Revenue	22,500	45,006	22,506	549,058
Total Intergovernmental Revenue	59,544	88,418	28,874	609,625
Charges for Goods and Services				
Recreation Fees	3,750	5,761	2,011	2,684
Ski Hill Fees	6,000	6,749	749	10,034
Rents	4,600	6,445	1,845	450
Cable TV Fees	-	490	490	944
Other Charges for Goods and Services	75	49	(26)	71
Total Charges for Goods and Services	14,425	19,494	5,069	14,183
Fines and Forfeits	625	2,355	1,730	525
Other Revenues				
Investment Earnings	900	1,385	485	1,026
Donations	2,200	1,131	(1,069)	55,317
Miscellaneous Revenue	750	4,795	4,045	629
Total Other Revenues	3,850	7,311	3,461	56,972
TOTAL REVENUES	512,264	593,541	81,277	1,129,283

(Continued)

See the accompanying Independent Auditors' Report

Town of Lake City

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	2016			
	Original & Final Budget	Actual	Var with Fin Bud Pos / (Neg)	2015 Actual
(Continued)				
EXPENDITURES				
General Government				
Board of Trustees and Mayor	22,201	20,420	1,781	17,350
Town Administration	149,510	162,189	(12,679)	145,797
Town Hall Operation	107,872	130,457	(22,585)	149,651
Municipal Court	2,298	1,972	326	696
Elections	3,900	7,905	(4,005)	4,613
Town Clerk	-	-	-	1,976
Historic Preservation	3,000	3,633	(633)	1,503
Overhead Recovery	(161,791)	(161,791)	-	(193,488)
Total General Government	126,990	164,785	(37,795)	128,098
Public Safety			-	
Police Administration	59,643	59,643	-	56,803
Building Inspections	16,480	11,250	5,230	14,391
Total Public Safety	76,123	70,893	5,230	71,194
Public Works				
Streets and Alleys	106,603	76,029	30,574	78,349
Culture & Recreation				
Recreation	86,654	91,341	(4,687)	80,449
Ski Hill	18,570	22,256	(3,686)	24,885
Round Top/Cable TV	1,000	1,372	(372)	2,178
Community Facilities and Parks	56,850	67,688	(10,838)	48,754
Total Culture and Recreation	163,074	182,657	(19,583)	156,266
Capital Outlay	49,000	29,613	19,387	764,946
TOTAL EXPENDITURES	521,790	523,977	(2,187)	1,198,853
CHANGE IN FUND BALANCE	(9,526)	69,564	79,090	(69,570)
FUND BALANCE, BEGINNING	9,526	357,268	347,742	426,838
FUND BALANCE, ENDING	$ -	$ 426,832	$ 426,832	$ 357,268

See the accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

Special Revenue Funds are established to account for the proceeds of specific revenue sources, other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

The following is the Special Revenue Fund for the Town:

Conservation Trust Fund -- This fund accounts for lottery proceeds received from the State government. Expenditures are restricted to the development or improvement of Town parks.

Town of Lake City

Budgetary Comparison Schedule
Conservation Trust Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	2016			
	Original & Final Budget	**Actual**	**Var with Fin Bud Pos / (Neg)**	**2015 Actual**
REVENUES				
Intergovernmental Revenue				
Conservation Trust Proceeds	$ 3,500	$ 4,125	$ 625	$ 3,743
Other Revenues				
Investment Earnings	-	43	43	16
TOTAL REVENUES	3,500	4,168	668	3,759
EXPENDITURES				
Culture & Recreation				
Community Facilities and Parks	3,500	-	3,500	-
Capital Outlay	-	-	-	12,199
TOTAL EXPENDITURES	3,500	-	3,500	12,199
CHANGE IN FUND BALANCE	-	4,168	4,168	(8,440)
FUND BALANCE, BEGINNING	-	3,992	3,992	12,432
FUND BALANCE, ENDING	$ -	$ 8,160	$ 8,160	$ 3,992

See the accompanying Independent Auditors' Report

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed in a manner similar to private business enterprises. The costs of providing goods or services to the general public on a continuing basis are recovered primarily from user charges.

The Town has the following Enterprise Fund:

Water and Sewer Fund -- This fund accounts for the provision of water and wastewater treatment services to Town residents.

Town of Lake City

Schedule of Revenues, Expenditures and Change
in Net Position - Budget and Actual
Water and Sewer Fund
For the Year Ended December 31, 2016
(With Comparative Totals for December 31, 2015)

	2016			
	Final Budget	Actual	Var with Fin Bud Pos / (Neg)	2015 Actual
Operating Revenues				
Water Charges	$ 330,000	$ 325,010	$ (4,990)	$ 330,139
Sewer Charges	260,000	250,641	(9,359)	258,967
Other Charges for Goods and Services	2,250	1,043	(1,207)	147
Other Revenues	-	827	827	2,654
Total Operating Revenues	592,250	577,521	(14,729)	591,907
Operating Expenses				
Water Wells	61,250	41,802	19,448	60,160
Water Distribution	62,500	4,128	58,372	28,989
Sewer Collection	12,000	20,495	(8,495)	24,380
Sewer Treatment	116,800	44,815	71,985	42,959
Utility Administration	175,816	138,181	37,635	167,559
Overhead Allocation	133,788	161,791	(28,003)	179,339
Total Operating Expenses	562,154	411,212	150,942	503,386
Operating Income (Loss)	30,096	166,309	136,213	88,521
Other Revenues (Expenses)				
Investment Earnings	1,700	6,167	4,467	2,082
Insurance Proceeds	-	-	-	19,063
Net Other Revenues (Expenses)	1,700	6,167	4,467	21,145
Net Income before Transfers and Contributions	31,796	172,476	140,680	109,666
Capital Contributions				
Construction Grants	1,850,000	754,743	(1,095,257)	281,298
Connection Charges	5,500	5,500	-	2,750
Change in Net Position - Budget Basis	$ 1,887,296	932,719	$ (954,577)	393,714
Reconciliation of Budget to GAAP Basis				
Depreciation Expense		(89,873)		(90,671)
Change in Net Position - GAAP Basis		842,846		303,043
Net Position - Beginning		2,372,051		2,069,008
Net Position - Ending		$ 3,214,897		$ 2,372,051

See the accompanying Independent Auditors' Report

COMPLIANCE SECTION

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State Compliance

Calendar Year 2016

LOCAL HIGHWAY FINANCE REPORT

COUNTY/CITY: Lake City

II - RECEIPTS FOR ROAD AND STREET PURPOSES

A. Receipts from local sources

2. General Fund Appropriations:	$	0.00
3. Other local imposts: *(from A.3. 'Total' below)*	$	0.00
4. Miscellaneous local receipts: *(from A.4. 'Total' below)*	$	0.00
5. Transfers from toll facilities	$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	$	0.00
b. Bonds - Refunding Issues:	$	0.00
c. Notes:	$	0.00
SubTotal:	$	0.00
B. Private Contributions	$	0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

A.3. Other local imposts

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

A.4. Miscellaneous local receipts

a. Interest on Investments:	$	0.00
b. Traffic fines & Penalties:	$	0.00
c. Parking Garage Fees:	$	0.00
d. Parking Meter Fees:	$	0.00
e. Sale of Surplus Property:	$	0.00
f. Charges for Services:	$	0.00
g. Other Misc. Receipts:	$	0.00
h. Other:	$	0.00
Total: *(a through h) carried to 'Misc local receipts' above)*	$	0.00

C. Receipts from State Government

1. Highway User Taxes:	$	0.00
3. Other State funds:		
c. Motor Vehicle Registrations:	$	0.00
d. Other:		
Comments: undefined	$	0.00
e. Other:		
Comments: undefined	$	0.00
Total: *(1+3c,d,e)*	$	0.00

D. Receipts from Federal Government

2. Other Federal Agencies

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

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

A. Local highway disbursements

1. Capital outlay: *(from A.1.d. 'Total Capital Outlay' below)*	$	0.00
2. Maintenance:	$	55,000.00
3. Road and street services		
a. Traffic control operations:	$	0.00
b. Snow and ice removal:	$	21,000.00
c. Other:	$	0.00
4. General administration & miscellaneous	$	28,503.19
5. Highway law enforcement and safety	$	0.00
Total: *(A.1-5)*	$	104,503.19

B. Debt service on local obligations

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

C. Payments to State for Highways:	$	0.00
D. Payments to Toll Facilities:	$	0.00
Total Disbursements:	$	104,503.19

Total Disbursements: (A+B+C+D)

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

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

IV. LOCAL HIGHWAY DEBT STATUS

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

V - LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C.Total Disbursements	D. Ending Balance	E. Reconciliation
$ 0.00	$ 0.00	$ 104,503.19	$ 0.00	$ 104,503.19