TOWN OF LAKE CITY
LAKE CITY, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

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RECEIVED
Office of the State Auditor
September 28, 2018

TOWN OF LAKE CITY, COLORADO

<u>BOARD OF TRUSTEES</u>
DECEMBER 31, 2017

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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, 2017. 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 increased by $8,838 and business-type net position increased by $861,279 for the year.

- The assets of the Town exceeded its liabilities at the close of fiscal year 2017 by $5,673,150 *(net position).* Of this amount, $774,081 *(unrestricted net position)* may be used to meet the Town's ongoing obligations or unforeseen expenses.

- At the end of 2017 total net position for the proprietary funds (business-type activities) was $4,076,174 with the total net position for the governmental funds was $1,596,976.

  As of the close of fiscal year 2017, the Town's General Fund reported an ending fund balance of $547,824 compared to the fiscal year 2016 balance of $426,832.

- Governmental Activities - Revenues decreased from $597,709 in 2016 to $577,976 in 2017 a change of $19,733. Expenditures decreased by $30,612 from $523,977 in 2016 to $454,022 in 2017. The Town recognized increases in sales tax receipts $9,221 over 2016 but the decrease is based on previous year grant monies for the Armory project completion.

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 $5,673,150 as of December 31, 2017 and $4,803,033 as of December 31, 2016. This represents an increase of $870,117. The business-type activity (Water and Sewer) increase is primarily related to the receipt of capitalized water improvement grants during 2017.

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 $5,673,150 at the close of 2017.

Net position of the Town at December 31, 2017 was as follows:

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	$ 647,377	$ 549,463	$ 1,325,974	$ 1,072,898	$ 1,973,351	$ 1,622,361
Capital Assets, net	1,324,723	1,382,681	3,449,091	3,059,464	4,773,814	4,442,145
TOTAL ASSETS	1,972,100	1,932,144	4,775,065	4,132,362	6,747,165	6,064,506
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	92,583	146,895	145,750	(4,652)	238,333	142,243
LIABILITIES						
Current Liabilities	21,398	43,841	41,943	93,799	-	-
Non-Current Liabilites	324,472	369,926	792,427	815,883	-	-
TOTAL LIABILITIES	345,870	413,767	834,370	909,682	1,180,240	1,323,449
Deferred Inflows						
Unavailable Revenue - Property Taxes	121,837	77,134	10,271	3,131	132,108	80,265
Net Position						
Net Investment in Capital Assets	1,324,723	1,382,681	3,449,091	3,059,464	4,773,814	4,442,145
Restricted Net Position	29,122	26,160	96,133	118,822	125,255	144,982
Unrestricted	243,131	179,297	530,950	36,611	774,081	215,908
TOTAL NET POSITION	**$ 1,596,976**	**$ 1,588,138**	**$ 4,076,174**	**$ 3,214,897**	**$ 5,673,150**	**$ 4,803,035**

The bulk of the Town's resources, $4,773,814 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	2017	2016	2017	2016	2017	2016
Charges for Services	$ 39,146	$ 40,224	$ 590,141	$ 577,521	$ 629,287	$ 617,745
Operating Grants and Contrib.	47,210	44,543	-	-	47,210	44,543
Capital Grants and Contrib.	11,147	49,131	461,964	760,243	473,111	809,374
Total Program Revenues	97,503	133,898	1,052,105	1,337,764	1,149,608	1,471,662
General Revenues:						
Taxes	466,809	457,588	-	-	466,809	457,588
Other General Revenues	13,665	6,223	4,797	6,167	18,462	12,390
Total General Revenues	480,474	463,811	4,797	6,167	485,271	469,978
Total Revenues	577,977	597,709	1,056,902	1,343,931	1,634,879	1,941,640
Program Expenses						
General Government	176,004	219,547	-	-	176,004	219,547
Public Safety	78,393	70,893	-	-	78,393	70,893
Public Works	104,997	89,173	-	-	104,997	89,173
Parks and Recreation	207,245	218,182	-	-	207,245	218,182
Capital Outlay - Non Capitalized	2,500	12,728	-	-	2,500	12,728
Water & Sewer Utility	-	-	596,523	501,085	596,523	501,085
Total Expenses	569,139	610,523	596,523	501,085	1,165,662	1,111,608
Change in Net Position	8,838	(12,814)	460,379	842,846	469,217	830,032
Net Position, Beginning	1,588,138	1,600,952	3,214,895	2,372,051	4,803,033	3,973,003
Prior Period Restatement	-	-	400,900	-	400,900	-
Net Position, Beginning (As Restated)	1,588,138	1,600,952	3,615,795	2,372,051	5,203,933	3,973,003
Net Position, Ending	**$ 1,596,976**	**$ 1,588,138**	**$ 4,076,174**	**$ 3,214,897**	**$ 5,673,150**	**$ 4,803,035**

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 $426,832 to $547,824. This increase is principally the result of a reduction in liabilities, an increase in sales tax revenues and a reduction in expenditures. This also includes a reduction in property taxes due to the Galligher amendment.

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 1/1/2017	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
Assets not being depreciated				
Land	$ 284,078	$ -	$ -	$ 284,078
Total assets not being depreciated	284,078	-	-	284,078
Assets being depreciated				
Buildings and Improvements	1,461,950	-	-	1,461,950
Machinery and Equipment	184,551	-	-	184,551
Total assets being depreciated	1,646,501	-	-	1,646,501
Less: Accumulated depreciation				
Buildings and Improvements	(388,715)	(52,707)	-	(441,422)
Machinery and Equipment	(159,182)	(5,252)	-	(164,434)
Total accumulated depreciation	(547,897)	(57,959)	-	(605,856)
Net Capital Assets	**$ 1,382,682**	**$ (57,959)**	**$ -**	**$ 1,324,723**

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Business - Type Activities:				
Assets not being depreciated				
Land and Water Rights	$ 76,697	$ -	$ -	$ 76,697
Construction in Progress	1,704,442	492,282	(1,399,211)	797,513
Total assets not being depreciated	1,781,139	492,282	(1,399,211)	874,210
Assets being depreciated				
Buildings and Improvements	56,153	-	-	56,153
Utility Plant and Systems	3,060,109	1,405,710	-	4,465,819
Equipment	351,822	-	-	351,822
Total assets being depreciated	3,468,084	1,405,710	-	4,873,794
Less: Accumulated depreciation				
Buildings and Improvements	(44,872)	(1,403)	-	(46,275)
Utility Plant and Systems	(1,892,822)	(86,960)	-	(1,979,782)
Equipment	(252,066)	(20,790)	-	(272,855)
Total accumulated depreciation	(2,189,760)	(109,153)	-	(2,298,912)
Net Capital Assets	**$ 3,059,463**	**$ 1,788,839**	**$ (1,399,211)**	**$ 3,449,092**

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, 2017.

Governmental activities debt transactions for the year were as follows:

Governmental Activities	Balance 1/1/2017	Advances	Repayments	Balance 12/31/2017
Compensated Absences	$ 11,491	$ 1,704	$ -	$ 13,195

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 2017.

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/Code Enforcement), 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 2017 and continued in 2018 to improve and replace old waterlines and make needed sewer plant improvements.

- 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.

- In 2017 and in 2018 the Board of Trustees passed a balanced budget where expenditures do not exceed revenues.

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

FINANCIAL SECTION

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Englewood, Colorado 80112 Fax (720) 633 – 9763

Emphasis of a Matter

As discussed in Note 4 to the financial statements, the 2016 financial statements have been restated to reflect the recording of additional loan proceeds and resulting debt forgiveness that should have been recorded as revenues as of December 31, 2016 in the Water and Sewer Fund and Business-type Activities. Our opinion is not modified with respect to this matter.

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 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. 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 39-40 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 41-42 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.

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 43 - 47 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
September 24, 2018

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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, 2017.

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Town of Lake City

Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total 2017
ASSETS			
Cash and Investments	$ 488,117	$ 550,090	$ 1,038,207
Restricted Cash and Investments	-	570,000	570,000
Property Tax Receivable	67,033	-	67,033
Accounts Receivable	-	99,569	99,569
Interfund Receivable	14,405	(14,405)	-
Intergovernmental Receivable	77,822	57,666	135,488
Inventory	-	63,054	63,054
Capital Assets not being depreciated	284,078	874,210	1,158,288
Capital Assets being depreciated	1,040,645	2,574,881	3,615,526
TOTAL ASSETS	1,972,100	4,775,065	6,747,165
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
Deferred Outflows - Pensions	92,583	145,750	238,333
LIABILITIES			
Accounts Payable	16,768	36,324	53,092
Accrued Payroll	4,630	5,619	10,249
Noncurrent Liabilities - Due within one year	-	19,242	19,242
Noncurrent Liabilities - Due in more than one year	324,472	773,185	1,097,657
TOTAL LIABILITIES	345,870	834,370	1,180,240
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Inflows - Property Taxes	67,033	-	67,033
Deferred Inflows - Pensions	54,804	10,271	65,075
TOTAL DEFERRED INFLOWS	121,837	10,271	132,108
NET POSITION			
Net Investment in Capital Assets	1,324,723	3,449,091	4,773,814
Restricted			
for Emergencies	18,000	-	18,000
for Parks	11,122	-	11,122
for Debt Service	-	96,133	96,133
Unrestricted	243,131	530,950	774,081
TOTAL NET POSITION	$ 1,596,976	$ 4,076,174	$ 5,673,150

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

Town of Lake City

Statement of Activities
For the Year Ended December 31, 2017

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General Government	$ (176,004)	$ 23,538	$ 6,602	$ -
Public Safety	(78,393)	1,268	-	-
Public Works	(104,997)	-	36,412	-
Parks and Recreation	(207,245)	14,340	4,196	11,147
Capital Outlay - Non Capitalized	(2,500)	-	-	-
Total Governmental Activities	(569,139)	39,146	47,210	11,147
Business-Type Activities:				
Water and Sewer Utility	(596,523)	590,141	-	461,964
Total Primary Government	$ (1,165,662)	$ 629,287	$ 47,210	$ 473,111

General Revenues
Taxes
Investment Earnings
Other Revenues
Total General Revenues

Change in Net Position

Net Position - Beginning
Prior Period Restatment

Net Position - Beginning (As Restated)

Net Position - Ending

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

Net (Expense) Revenue and Change in Net Position Governmental Activites	Business Type Activities	Total
$ (145,864)	$ -	$ (145,864)
(77,125)	-	(77,125)
(68,585)	-	(68,585)
(177,562)	-	(177,562)
(2,500)	-	(2,500)
(471,636)	-	(471,636)
-	455,582	455,582
(471,636)	455,582	(16,054)
466,809		466,809
1,552	4,797	6,349
12,113	-	12,113
480,474	4,797	485,271
8,838	460,379	469,217
1,588,138	3,214,895	4,803,033
-	400,900	400,900
1,588,138	3,615,795	5,203,933
$ 1,596,976	$ 4,076,174	$ 5,673,150

Town of Lake City

Balance Sheet
Governmental Funds
December 31, 2017
(With Comparative Totals for December 31, 2016)

	General Fund	Nonmajor Spec. Rev. Cons. Trust Fund	Total 2017	Total 2016
ASSETS				
Cash and Investments	$ 476,995	$ 11,122	$ 488,117	$ 380,329
Property Tax Receivable	67,033	-	67,033	70,630
Accounts Receivable	-	-	-	5
Interfund Receivable	14,405	-	14,405	-
Intergovernmental Receivable	77,822	-	77,822	98,499
TOTAL ASSETS	636,255	11,122	647,377	549,463
LIABILITIES				
Accounts Payable	16,768	-	16,768	23,909
Accrued Payroll	4,630	-	4,630	19,932
TOTAL LIABILITIES	21,398	-	21,398	43,841
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Deferred Revenue	67,033	-	67,033	70,630
FUND BALANCE				
Restricted				
for Emergencies	18,000	-	18,000	18,000
for Parks	-	11,122	11,122	8,160
Committed				
for Capital Reserves	128,000	-	128,000	128,000
Unassigned	401,824	-	401,824	280,832
TOTAL FUND BALANCE	$ 547,824	$ 11,122	$ 558,946	$ 434,992

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

Town of Lake City

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2017

Governmental Fund Balance		$ 558,946
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	1,646,501	
Accumulated Depreciation	(605,856)	1,324,723
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	(307,245)	
Contributions subsequent to measurement date	17,349	
Difference between projected and actual investment returns on the pension plan	85,638	
Amortization of the investment return difference	(36,558)	
Difference between projected and actual pension plan experience	14,383	
Amortization of the experience difference	(8,765)	
Change in proportionate share of the net pension liability - plan level	6,074	
Amortization of the change in proportion - plan level	(4,531)	
Change in proportionate share of the net pension liability - fund level	(25,227)	
Amortization of the change in proportion - fund level	(31,120)	
Difference between projected and actual pension plan experience	(70)	
Amortization of the experience difference	70	
Changes of assumptions	29,183	
Amortization of chane in proportion	(8,647)	(269,466)
Accrued leave is expensed when paid at the fund level and		
recorded as a liability when earned at the activity level		
Accrued Compensated Absences		(17,227)
Governmental Activities Net Position		$ 1,596,976

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

Town of Lake City

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

	General Fund	Nonmajor Spec. Rev. Cons. Trust Fund	Total 2017	Total 2016
REVENUES				
Taxes	$ 466,809	$ -	$ 466,809	$ 457,588
Licenses, Permits and Fees	19,848	-	19,848	18,375
Intergovernmental Revenue	50,503	3,657	54,160	92,543
Charges for Goods and Services	18,030	-	18,030	19,494
Fines and Forfeits	1,268	-	1,268	2,355
Other Revenues	17,837	24	17,861	7,354
TOTAL REVENUES	574,295	3,681	577,976	597,709
EXPENDITURES				
General Government	107,991	-	107,991	164,785
Public Safety	78,393	-	78,393	70,893
Public Works	92,162	-	92,162	76,029
Parks and Recreation	172,257	719	172,976	182,657
Capital Outlay	2,500	-	2,500	29,613
TOTAL EXPENDITURES	453,303	719	454,022	523,977
CHANGE IN FUND BALANCE	120,992	2,962	123,954	73,732
FUND BALANCE, BEGINNING	426,832	8,160	434,992	361,260
FUND BALANCE, ENDING	$ 547,824	$ 11,122	$ 558,946	$ 434,992

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

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, 2017

Governmental Change in Fund Balance		$ 123,954
Capital Assets are expensed when purchased at the fund level and capitalized and depreciated at the activity level		
Depreciation expense		(57,958)
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	(6,129)	
Current year projected to actual investment return difference	(4,531)	
Current year amortization of overall investment return differences	(14,614)	
Change in net pension asset/liability	47,158	
Current year projected to actual pension plan experience difference	33	
Current year amortization of overall experience differences	(21)	
Change in the changes of assumptions	40,910	
Change in the amortization of change in assumptions	(13,882)	
Current year projected to actual experience difference	9,580	
Current year amortization of oexperience difference	(6,621)	
Current year change in proportionate share of cost-sharing plan asset/liability	1,269	
Current year amortization of overall proportionate share differences	(1,308)	
Current year change in proportionate share of activity level asset/liability	(123,920)	
Current year amortization of fund level proportionate share differences	16,622	(55,454)
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 absences		(1,704)
Governmental Activities Net Position		$ 8,838

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

Town of Lake City

Statement of Net Position
Proprietary Fund
For the Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

	Water and Sewer Fund	
	2017	**2016**
ASSETS		
Current Assets		
Cash and Investments	$ 550,090	$ 311,674
Restricted Cash and Investments - Loan Escrow	570,000	296,607
Accounts Receivable	99,569	107,952
Interfund Receivable	(14,405)	-
Intergovernmental Receivable	57,666	293,611
Inventory	63,054	63,054
Total Current Assets	1,325,974	1,072,898
Noncurrent Assets		
Capital Assets not being depreciated		
Land	76,697	76,697
Construction in Progress	797,513	1,704,442
Capital Assets being depreciated		
Buildings and Improvements	56,153	56,153
Utility Plant and System	4,465,819	3,060,109
Equipment	351,821	351,821
Accumulated Depreciation	(2,298,912)	(2,189,758)
Net Noncurrent Assets	3,449,091	3,059,464
TOTAL ASSETS	4,775,065	4,132,362
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Deferred Outflows - Pensions	145,750	46,299
LIABILITIES		
Current Liabilities		
Accounts Payable	36,324	90,125
Accrued Payroll	5,619	3,676
Total Current Liabilities	41,943	93,801
Noncurrent Liabilities		
Noncurrent Liabilities - Due within one year	19,242	185,297
Noncurrent Liabilities - Due in more than one year	773,185	630,586
Total Noncurrent Liabilities	792,427	815,883
TOTAL LIABILITIES	834,370	909,684
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Deferred Inflows - Pensions	10,271	54,082
NET POSITION		
Net Investment in Capital Assets	3,449,091	3,059,464
Restricted Net Position	96,133	118,822
Unrestricted Net Position	530,950	36,609
TOTAL NET POSITION	$ 4,076,174	$ 3,214,895

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, 2017
(With Comparative Totals for December 31, 2016)

	Water and Sewer Fund	
	2017	**2016**
Operating Revenues		
Water Charges	$ 328,819	$ 325,010
Sewer Charges	257,962	250,641
Other Charges for Goods and Services	2,608	1,043
Other Revenues	752	825
Total Operating Revenues	590,141	577,519
Operating Expenses		
Water Wells	55,056	41,802
Water Distribution	51,769	4,128
Sewer Collection	30,281	20,495
Sewer Treatment	53,398	44,815
Utility Administration	233,420	138,181
Overhead Charges	63,445	161,791
Depreciation	109,154	89,873
Total Operating Expenses	596,523	501,085
Operating Income (Loss)	(6,382)	76,434
Other Revenues (Expenses)		
Investment Earnings	4,797	6,167
Net Income	(1,585)	82,601
Capital Contributions		
Grant and Loan Forgiveness	447,464	754,743
Connection Charges	14,500	5,500
Change in Net Position	460,379	842,844
Net Position - Beginning	3,214,895	2,372,051
Prior Period Restatement	400,900	-
Net Position - Beginning (Restated)	3,615,795	2,372,051
Net Position - Ending	$ 4,076,174	$ 3,214,895

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, 2017
(With Comparative Totals for December 31, 2016)

	Water and Sewer Fund	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from customers	$ 612,929	$ 604,285
Cash paid to suppliers	(311,502)	(265,432)
Cash paid to/for benefit of employees	(209,144)	(110,260)
Net Cash Provided (Used) by Operating Activities	92,283	228,593
CASH FLOWS FROM CAPTAL FINANCING ACTIVITIES		
Acquisition of Capital Assets	(498,783)	(1,166,250)
Note Proceeds	400,900	169,100
Debt Principal Payments	(16,667)	(17,136)
Grant Proceeds	514,779	711,609
Capital contributions	14,500	5,500
Net Cash Used by Capital Financing Activities	414,729	(297,177)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	4,797	6,167
Net Increase (Decrease) in Cash and Equivalents	511,809	(62,417)
Cash and Equivalents, Beginning	608,281	670,698
Cash and Equivalents, Ending	$ 1,120,090	$ 608,281
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (6,382)	$ 76,434
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	109,154	89,873
(Increase) Decrease in:		
Accounts Receivable	8,383	26,766
Interfund Receivable	14,405	-
Pension Related Deferred Outflows	(99,451)	(21,681)
Increase (Decrease) in:		
Accounts Payable	(53,799)	61,400
Accrued Payroll	1,943	3,676
Accrued Compensated Absences	961	338
Net Pension Liability	160,880	(57,237)
Pension Related Deferred Inflows	(43,811)	49,024
Net Reconciliation Adjustments	98,665	152,159
Net Cash Provided (Used) by Operating Activities	$ 92,283	$ 228,593

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 2017 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, 2017, 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 2017 to be collected in 2018. 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	$ 1,038,207
Restricted Cash and Investments	570,000
Total Cash and Investments	**$ 1,608,207**

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

Cash	$ 841,026
Investments	767,181
Total Cash and Investments	**$ 1,608,207**

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 Entity's Name)	620,471	590,670
Petty Cash	-	356
Total Cash	**$ 870,471**	**$ 841,026**

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, 2017, 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

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

Credit Risk (Continued)

During the year ended December 31, 2017, 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.

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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.

Restricted Cash and Investments

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

Restricted Loan Proceeds	$ 570,000

This investment is held by the Colorado Water Resource and Power Development Authority on behalf of the Town and cannot be classified as the underlying investment cannot be determined.

NOTE 3: CAPITAL ASSETS

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
Assets not being depreciated				
Land	$ 284,078	$ -	$ -	$ 284,078
Total assets not being depreciated	284,078	-	-	284,078
Assets being depreciated				
Buildings and Improvements	1,461,950	-	-	1,461,950
Machinery and Equipment	184,551	-	-	184,551
Total assets being depreciated	1,646,501	-	-	1,646,501
Less: Accumulated depreciation				
Buildings and Improvements	(388,715)	(52,707)	-	(441,422)
Machinery and Equipment	(159,182)	(5,252)	-	(164,434)
Total accumulated depreciation	(547,897)	(57,959)	-	(605,856)
Net Capital Assets	**$ 1,382,682**	**$ (57,959)**	**$ -**	**$ 1,324,723**

NOTE 3: CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	$ 34,146
Public Works	6,181
Parks and Recreation	17,632
Total Depreciation Allocation	**$ 57,959**

The following schedule presents business-type activities capital assets at December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Business - Type Activities:				
Assets not being depreciated				
Land and Water Rights	$ 76,697	$ -	$ -	$ 76,697
Construction in Progress	1,704,442	492,282	(1,399,211)	797,513
Total assets not being depreciated	1,781,139	492,282	(1,399,211)	874,210
Assets being depreciated				
Buildings and Improvements	56,153	-	-	56,153
Utility Plant and Systems	3,060,109	1,405,710	-	4,465,819
Equipment	351,822	-	-	351,822
Total assets being depreciated	3,468,084	1,405,710	-	4,873,794
Less: Accumulated depreciation				
Buildings and Improvements	(44,872)	(1,403)	-	(46,275)
Utility Plant and Systems	(1,892,822)	(86,960)	-	(1,979,782)
Equipment	(252,066)	(20,790)	-	(272,855)
Total accumulated depreciation	(2,189,760)	(109,153)	-	(2,298,912)
Net Capital Assets	**$ 3,059,463**	**$ 1,788,839**	**$ (1,399,211)**	**$ 3,449,092**

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

Business-Type Activities:	
Water Utility	$ 62,887
Sewer Utility	28,822
Joint Utility	17,444
Total Depreciation Allocation	**$ 109,153**

NOTE 4: NONCURRENT OBLIGATIONS

Changes in noncurrent obligations are as follows:

Governmental Activities	Balance 1/1/2017	Advances	Repayments	Balance 12/31/2017	Current Portion	Interest Expense
Compensated Absences	$ 11,491	$ 1,704	$ -	$ 13,195	$ -	$ -

Business - Type Activities	Balance 1/1/2017	Advances	Repayments	Balance 12/31/2017	Current Portion	Interest Expense
2015 CWRPDA Note Payable	$ 475,000	$ -	$ (16,667)	$ 458,333	$ 16,667	$ -
2016 CWRPDA Note Payable	168,630	-	(168,630)	-	-	-
Compensated Absences	1,615	961	-	2,576	-	-
Total Obligations	**$ 645,245**	**$ 961**	**$ (185,297)**	**$ 460,909**	**$ 16,667**	**$ -**

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 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 October 2016, the Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority (CWRPDA) in the amount of $70,000 to be used towards water system design and engineering. The Town had drawn $0 of the loan and had the balance was still held in escrow by CWRDPA as of December 31, 2017. The balance of the 2016 CWRPDA design and engineering loan was forgiven by the CWRPDA upon issuance.

In November 2016, 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 $0 of the loan and had the balance was still held in escrow by CWRDPA as of December 31, 2017. $330,900 of the loan was forgiven upon issuance with the remaining balance forgiven by the CWRPDA on May 1, 2017. With the remaining amount forgiven during 2017 after the Town had made one payment. This loan was originally booked in 2016 at $169,100, the unforgiven balance as of the date of issuance.

The Town has recorded a restatement of $400,900 as of December 31, 2016 to record additional amounts available in escrow related to the loans forgiven but not recorded during 2016. This resulted in an increase in the beginning equity in the Water and Sewer Fund and the Business-type Activities of $400,900 as of December 31, 2016.

NOTE 4: NONCURRENT OBLIGATIONS (Continued)

CWRPDA Note Payable (Continued)

Principal payments mature as follows for the 2015 loan:

Fiscal Year	Principal
2018	$ 16,667
2019	16,667
2020	16,667
2021	16,667
2022	16,667
2023-2027	83,333
2028-2032	83,333
2033-2037	83,333
2038-2042	83,333
2043-2045	41,666
Total	**$ 458,333**

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 $96,133 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 [1]	**2017**	**2016**	**2015**	**2014**
Employer contribution rate	10.00%	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%	-1.02%
Amount apportioned to the LGDTF	8.98%	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%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%	1.50%	1.50%
Total employer contribution rate to the LGDTF	**12.68%**	**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 $36,356 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At December 31, 2017, the Town reported a liability of $638,763 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Town proportion of the net pension liability was based on the Town contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Town proportion was .04730%, which was a decrease of .0003587% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of $112,755. At December 31, 2017, 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)
$36,069 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, 2018. 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 Totals
2018	$ 78,131
2019	34,530
2020	21,653
2021	729
Total	$ 135,043

Actuarial assumptions. Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50-10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
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)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience.

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

• Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
• Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

• Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
• Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
• Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
• Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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)

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown in Note 8. In addition, the following methods and assumptions were used in the projection of cash flows:

• Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

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)

• Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
• Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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)

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent.

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension asset (liability)	$ (941,826)	$ (638,763)	$ (387,793)

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, 2016, 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%
12/31/16 Allocation	48.10%	51.90%	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:

	Govt Act	Bus-Type Act	
Net Proportion	$ (56,347)	$ 56,347	$ -
2018	48,241	(48,241)	-
2019	8,106	(8,106)	-
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, 2017 and the preceding two fiscal years, the District contributions to the HCTF were $2,901, $2,806, and $2,761, 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, 2017.

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, 2017, 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	$ 589,389
Other revenue	5,549
Total revenue	594,938
Operations and maintenance expense	596,523
Less: Depreciation	(109,154)
Adjusted O&M	487,369
Net revenue	107,569
Total debt service	
CWRPDA Loans	16,667
Required rate	110%
Net revenue required	18,334
Excess (deficit)	**$ 89,235**

REQUIRED SUPPLEMENTARY INFORMATION

(Pension Schedules Unaudited)

Town of Lake City

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

	12/31/17	12/31/16	12/31/15	12/31/14
Town's proportion of the net pension asset (liability)	0.047304%	0.045870%	0.047517%	0.049083%
Town's proportionate share of the net pension asset (liability)	$ (638,763)	$ (492,482)	$ (429,285)	$ 475,865
Town's covered-employee payroll	$ 286,720	$ 130,000	$ 122,879	$ 139,328
Town's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	222.78%	378.83%	349.36%	341.54%
Plan fiduciary net position as a percentage of the total pension liability	73.65%	56.11%	59.84%	61.08%

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

[(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 Town CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years[(1)]

	12/31/17	12/31/16	12/31/15	12/31/14
Contractually required contributions	$ 36,356	$ 16,484	$ 15,581	$ 17,667
Actual contributions	(36,356)	(16,484)	(15,581)	(17,667)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Town's covered-employee payroll	$ 286,720	$ 130,000	$ 122,879	$ 139,328
Contributions as a percentage of covered employee payroll	12.68%	12.68%	12.68%	12.68%

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, 2017
(With Comparative Totals for December 31, 2016)

	2017			
	Original & Final Budget	**Actual**	**Var with Fin Bud Pos / (Neg)**	**2016 Actual**
REVENUES				
Taxes				
Property and Sales Taxes	$ 67,000	$ 69,965	$ 2,965	$ 70,270
Specific Ownership Taxes	3,600	4,987	1,387	4,975
Sales Taxes	290,000	345,068	55,068	323,499
Use Taxes	37,575	32,064	(5,511)	34,951
Franchise Taxes	10,000	14,005	4,005	22,167
Other Tax Collections	434	720	286	1,726
Total Taxes	408,609	466,809	58,200	457,588
Licenses, Permits and Fees				
Building Permits	12,000	15,325	3,325	13,958
Liquor Licenses	2,121	2,623	502	2,650
Other Licenses,Permits and Fees	1,500	1,900	400	1,767
Total Licenses, Permits and Fees	15,621	19,848	4,227	18,375
Intergovernmental Revenue				
Cigarette Taxes	700	1,012	312	1,216
Mineral & Severance Taxes	-	5,590	5,590	6,872
Highway Users Tax	32,693	32,487	(206)	32,537
Road & Bridge Tax	2,698	-	(2,698)	2,786
Motor Vehicle Clerk Fees	2,500	3,925	1,425	-
Other Intergovernmental Revenue	2,047	7,490	5,443	45,007
Total Intergovernmental Revenue	40,638	50,504	9,866	88,418
Charges for Goods and Services				
Recreation Fees	4,500	6,049	1,549	5,761
Ski Hill Fees	5,500	8,291	2,791	6,749
Rents	4,500	3,687	(813)	6,445
Cable TV Fees	-	-	-	490
Other Charges for Goods and Services	-	3	3	49
Total Charges for Goods and Services	14,500	18,030	3,530	19,494
Fines and Forfeits	1,000	1,268	268	2,355
Other Revenues				
Investment Earnings	1,038	1,528	490	1,385
Donations	-	4,196	4,196	1,131
Miscellaneous Revenue	-	12,112	12,112	4,795
Total Other Revenues	1,038	17,836	16,798	7,311
TOTAL REVENUES	481,406	574,295	92,889	593,541

(Continued)

See the accompanying Independent Auditors' Report

Town of Lake City

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

	2017			
	Original & Final Budget	**Actual**	**Var with Fin Bud Pos / (Neg)**	**2016 Actual**
(Continued)				
EXPENDITURES				
General Government				
Board of Trustees and Mayor	16,901	12,575	4,326	20,420
Town Administration	64,873	66,516	(1,643)	162,189
Town Hall Operation	100,856	90,849	10,007	130,457
Municipal Court	2,428	635	1,793	1,972
Elections	2,300	76	2,224	7,905
Historic Preservation	1,500	785	715	3,633
Overhead Recovery	(63,445)	(63,445)	-	(161,791)
Total General Government	125,413	107,991	17,422	164,785
Public Safety			-	
Police Administration	59,643	59,643	-	59,643
Building Inspections	16,974	18,750	(1,776)	11,250
Total Public Safety	76,617	78,393	(1,776)	70,893
Public Works				
Streets and Alleys	110,259	92,162	18,097	76,029
Culture & Recreation				
Recreation	84,642	83,222	1,420	91,341
Ski Hill	21,044	24,369	(3,325)	22,256
Round Top/Cable TV	1,200	2,142	(942)	1,372
Community Facilities and Parks	58,100	62,524	(4,424)	67,688
Total Culture and Recreation	164,986	172,257	(7,271)	182,657
Capital Outlay	2,047	2,500	(453)	29,613
TOTAL EXPENDITURES	479,322	453,303	26,019	523,977
CHANGE IN FUND BALANCE	2,084	120,992	118,908	69,564
FUND BALANCE, BEGINNING	207,426	426,832	219,406	357,268
FUND BALANCE, ENDING	$ 209,510	$ 547,824	$ 338,314	$ 426,832

See the accompanying Independent Auditors' Report

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OTHER SUPPLEMENTARY INFORMATION

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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, 2017
(With Comparative Totals for December 31, 2016)

	2017			
	Original & Final Budget	**Actual**	**Var with Fin Bud Pos / (Neg)**	**2016 Actual**
REVENUES				
Intergovernmental Revenue				
Conservation Trust Proceeds	$ 3,500	$ 3,657	$ 157	$ 4,125
Other Revenues				
Investment Earnings	-	24	24	43
TOTAL REVENUES	3,500	3,681	181	4,168
EXPENDITURES				
Culture & Recreation				
Parks	-	719	(719)	-
CHANGE IN FUND BALANCE	3,500	2,962	(538)	4,168
FUND BALANCE, BEGINNING	-	8,160	8,160	3,992
FUND BALANCE, ENDING	$ 3,500	$ 11,122	$ 7,622	$ 8,160

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, 2017
(With Comparative Totals for December 31, 2016)

	2017			
	Original & Final Budget	Actual	Var with Fin Bud Pos / (Neg)	2016 Actual
Operating Revenues				
Water Charges	$ 320,000	$ 328,819	$ 8,819	$ 325,010
Sewer Charges	250,000	257,962	7,962	250,641
Other Charges for Goods and Services	-	2,608	2,608	1,043
Other Revenues	-	752	752	825
Total Operating Revenues	570,000	590,141	20,141	577,519
Operating Expenses				
Water Wells	63,272	55,056	8,216	41,802
Water Distribution	47,500	51,769	(4,269)	4,128
Sewer Collection	39,000	30,281	8,719	20,495
Sewer Treatment	69,700	53,398	16,302	44,815
Utility Administration	250,703	233,420	17,283	138,181
Overhead Allocation	63,445	63,445	-	161,791
Total Operating Expenses	533,620	487,369	46,251	411,212
Operating Income (Loss)	36,380	102,772	66,392	166,307
Other Revenues (Expenses)				
Investment Earnings	-	4,797	4,797	6,167
Net Income before Transfers and Contributions	36,380	107,569	71,189	172,474
Capital Contributions				
Construction Grants	1,494,368	447,464	(1,046,904)	754,743
Connection Charges	-	14,500	14,500	5,500
Change in Net Position - Budget Basis	$ 1,530,748	569,533	$ (961,215)	932,717
Reconciliation of Budget to GAAP Basis				
Depreciation Expense		(109,154)		(89,873)
Change in Net Position - GAAP Basis		460,379		842,844
Net Position - Beginning		3,214,895		2,372,051
Prior Period Restatement		400,900		-
Net Position - Beginning (Restated)		3,615,795		2,372,051
Net Position - Ending		$ 4,076,174		$ 3,214,895

See the accompanying Independent Auditors' Report

COMPLIANCE SECTION

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State Compliance

Steps for printing your content and returning to 'Edit Mode

1. Click Ctrl + A on a Windows machine or Command + A on a Mac to select all data.
2. Right-click your mouse and select Print.
3. Confirm that print settings are correct - make sure "selection only" isn't checked.
4. Print hard copy or to PDF.
5. Click "Edit Mode" to return to modifying your data.
6. Remember to click "Save" to save any changes.

ANNUAL HIGHWAY FINANCE REPORT - CY17

Email address: Carolinemitchell@townoflakecity.co

City/County: Lake City

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	$	2,929.64
3. Other local imposts: *(from A.3. 'Total' below)*	$	6,262.78
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:	$	9,192.42

B. Private Contributions	$	0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	$ 0.00
b. Other Local Imposts	
1. Sales Taxes:	$ 985.81
2. Infrastructure and Impact Fees:	$ 0.00
3. Liens:	$ 0.00
4. Licenses:	$ 0.00
5. Specific Ownership and/or Other:	$ 5,276.97
Total: *(a + b) carried to 'Other local Imposts' above)*	$ 6,262.78

A.4. Miscellaneous local receipts

Please no commas or dollar signs for the input

a. Interest on Investments:	$ 0.00
b. Traffic fines & Penalities:	$ 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

Please no commas or dollar signs for the input

1. Highway User Taxes:	$ 27,218.52
3. Other State funds:	
c. Motor Vehicle Registrations:	$ 0.00
d. Other (Specify):	
Comments: undefined	$ 0.00
e. Other (Specify):	
Comments: undefined	$ 0.00

	Total: *(1+3c,d,e)*	$ 27,218.52

D. Receipts from Federal Government

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: *(from A.1.d. 'Total Capital Outlay' below)*	$ 0.00
2. Maintenance:	$ 17,005.19
3. Road and street services	
a. Traffic control operations:	$ 0.00
b. Snow and ice removal:	$ 19,405.75
c. Other:	$ 0.00
4. General administration & miscellaneous	$ 0.00
5. Highway law enforcement and safety	$ 0.00
Total: *(A.1-5)*	$ 36,410.94

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

C. Payments to State for Highways:	$ 0.00
D. Payments to Toll Facilities:	$ 0.00
Total Disbursements: *(A+B+C+D)*	$ 36,410.94

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

	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

Please no commas or dollar signs for the input

	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

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
$ 0.00	$ 36,410.94	$ 36,410.94	$ 0.00	$ 0.00

Notes & Comments:

undefined

Please enter your name: Caroline Mitchell

Please provide a telephone number where you may be reached: 970.944.2333

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