

Green & Associates LLC

Certified Public Accountants & Business Consultants

September 11, 2024

Board of Directors
Town of Lake City, Colorado

We have audited the financial statements of Town of Lake City, Colorado for the year ended December 31, 2023 and have issued our report thereon dated September 11, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatements and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements, illegal acts, or noncompliance may exist and not be detected by us including fraud and defalcations.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. As part of our audit, we considered the internal control structure of the Town as a basis for designing our auditing procedures not for the purpose of providing any assurance concerning the effectiveness of the internal controls. Our consideration of internal control was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Accordingly, we do not express an opinion on the effectiveness of the Town's internal controls.

We noted the following items we consider to be material weaknesses in internal control:

Due to the limited number of people working for the Organization, many of the duties within the accounting cycle are assigned to the same person. We noted there is a lack of segregation of duties within the Organization.

As a matter of sound internal controls duties should be segregated to ensure that there are adequate checks and balances in place. We feel that separating these duties within these closely related functions would lead to much greater internal controls.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Town that could potentially cause future financial statements to be materially misstated even though we have concluded that such adjustments are not material to the current financial statements. The proposed adjustments are attached.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Town of Lake City, Colorado are outlined in Note 1 to the financial statements.

We noted no transactions entered into by the Town during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered When Performing the Audit

We encountered no significant difficulties in dealings with the Town's management in performing and completing our audit.

Independence

We are also required to disclose to you in writing, at least annually, all relationships between our firm and Town of Lake City, Colorado that in our professional judgment may reasonably be thought to bear on independence. We are not aware of any such relationships and therefore confirm to you that we are independent with respect to Town of Lake City, Colorado.

We would like to express our appreciation for the cooperation that we received from the staff with whom we worked.

This information is intended solely for the use of the Board of Directors and management of Town of Lake City, Colorado and should not be used for any other purpose.

Sincerely,

A handwritten signature in black ink that reads "Green & Associates LLC". The script is cursive and fluid, with the "G" being particularly large and stylized.

Green & Associates, LLC

Done by:	Date:	Index:
Reviewer:	Date:	

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Fund Balance	EE 1	100-280-000-000	105,216.00	
1	Grant Monies		100-334-000-000		105,216.00
To adjust equity for unavailable revenues from the prior year					
2	Accrued Wages	AA 4	100-216-000-000		3,538.01
2	Accrued Wages		600-216-000-000		1,360.89
2	Salaries - W & S Admin		600-433-600-111	1,360.89	
2	Salaries -Town Admin		100-411-400-111	3,538.01	
To book accrued wages					
3	Taxes Receivable	C4	100-105-000-000		2,737.00
3	Deferred Property Taxes		100-222-100-000	2,737.00	
To book property taxes receivable					
4	Accrued Compensated Absenses	AA 3	600-216-100-000		1,688.19
4	Salaries - W & S Admin		600-433-600-111	1,688.19	
To adjust accrued vacation					
5	Cash Clearing - Utilities	WTB	999-175-000-000	?	?
5	Water Sales		600-344-100-000	?	?
5	Sewer Revenues		600-344-200-000	?	?
5	Cash Allocate to Other Funds		999-100-000-000	?	?
5	Cash in Combined Fund		600-100-000-000	?	?
To adjust cash clearing account					
6	Professional Services- BOT	EX 1	100-411-100-350		15,200.00
6	Capital Projects Reserve - Ski		100-485-000-800	15,200.00	
6	R&M Sewer Jetting Machine		600-433-510-360		17,500.00
6	Sewer Jetting Machine		600-433-600-364		41,990.00
6	Waterline/Well Replacement		600-700-000-400		48,045.97
6	R & M Services - Water Wells		600-433-410-360		2,668.00
6	Heavy Machinery & Equipment		600-433-600-365		48,000.00
6	Machinery & Equipment		600-164-200-000	107,472.00	
6	Water System		600-162-400-000	50,731.97	
6	WWTP- Renovation Project		600-700-000-120		178,184.65
6	Heavy Equipment		600-700-000-150		11,012.06
6	Machinery & Equipment		600-164-200-000	11,012.06	
6	Construction in progress		600-165-000-100	178,184.65	
6	Depreciation - W & S Admin		600-433-600-999	206,065.00	
6	Accumulated Prov. for Depr.		600-169-000-000		206,065.00
To adjust items to be capitalized and book depreciation					
7	Property Taxes	RE 2	100-311-000-000	18,125.20	
7	Due from Other Governments		100-132-000-000		18,125.20
To reverse the backfill entry for property taxes					
8	Due from Other Governments	C2	100-132-000-000		105,215.67
8	Grant Monies		100-334-000-000	105,215.67	
To adjust for grant from PY that was received in 2023 but was in AR in 2022					
9	Loan proceeds to be drawn	DD 1	600-115-000-100	3,616,500.00	
9	CWRPDA Revolving Fund Loan		600-202-100-100		2,116,500.00
9	Deferred Inflows - Grants		600-250-000-000		1,500,000.00
To setup the CWRPDA loan balance					
10	Deferred Outflows - PERA		600-180-001-000	81,659.00	

Adjusting Journal Entries
Town of Lake City
December 31, 2023

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Done by:	Date:	Index:
Reviewer:	Date:	

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
10	Deferred Inflow - PERA Exp		600-250-002-000	178,878.00	
10	PERA Net Pension Liability		600-250-001-000		244,846.00
10	Deferr outflows OPEBconttting		600-180-021-000	1,161.00	
10	Deferred Inflows OPEB Earnings		600-250-026-000	1,013.00	
10	Net OPEB liability		600-250-021-000	1,498.00	
10	PERA - W & S Admin		600-433-600-145		19,363.00
To book PERA					
11	Accrued Interest	DD 1	600-202-100-200		9,957.01
11	Debt Interest		600-470-200-620	9,957.01	
To book accrued interest					
	Totals			4,697,212.65	4,697,212.65