

TOWN OF LAKE CITY, COLORADO

FINANCIAL STATEMENTS

December 31, 2006

TOWN OF LAKE CITY, COLORADO
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Town of Lake City
Lake City, Colorado 81235

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake City, Colorado (the Town), as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake City, Colorado, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the major Special Revenue Funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Town has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedules and reports listed in the table of contents as other schedules and reports are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

June 27, 2007

TOWN OF LAKE CITY, COLORADO
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Primary Government</u>		<u>TOTAL</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 251,296	\$ 269,243	\$ 520,539
Receivables:			
Customers, Less Allowance for Doubtful Accounts of \$3,084	-	83,844	83,844
Property Taxes Receivable	42,392	-	42,392
Grants Receivable	68,000	-	68,000
Due from Other Governments	77,478	-	77,478
Material and Supplies	-	23,881	23,881
Prepaid Expense	1,571	4,186	5,757
Total Current Assets	<u>440,737</u>	<u>381,154</u>	<u>821,891</u>
Capital Assets			
Land and Water Rights	284,078	81,461	365,539
Improvements	206,633	-	206,633
Buildings	322,810	-	322,810
Utility Plants and Systems	-	3,034,150	3,034,150
General and Transportation Equipment	179,393	164,320	343,713
Less Accumulated Depreciation/Depletion	(267,134)	(1,357,428)	(1,624,562)
Total Capital Assets	<u>725,780</u>	<u>1,922,503</u>	<u>2,648,283</u>
TOTAL ASSETS	<u>1,166,517</u>	<u>2,303,657</u>	<u>3,470,174</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	5,851	5,853	11,704
Due to Other Governments	9,625	-	9,625
Unearned Revenues	42,392	-	42,392
Notes Payable	-	5,582	5,582
Total Current Liabilities	<u>57,868</u>	<u>11,435</u>	<u>69,303</u>
Long-term Liabilities			
Notes Payable	-	32,389	32,389
Total Long-term Liabilities	<u>-</u>	<u>32,389</u>	<u>32,389</u>
TOTAL LIABILITIES	<u>57,868</u>	<u>43,824</u>	<u>101,692</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	725,780	1,884,532	2,610,312
Restricted for:			
TABOR	10,514	-	10,514
Unrestricted	372,355	375,301	747,656
TOTAL NET ASSETS	<u>\$ 1,108,649</u>	<u>\$ 2,259,833</u>	<u>\$ 3,368,482</u>

TOWN OF LAKE CITY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	TOTAL
Primary Government:						
Governmental Activities:						
General government	\$ 136,335	\$ 21,027	\$ -	\$ (115,308)	\$ -	\$ (115,308)
Culture and recreation	145,827	11,912	7,148	(96,823)	-	(96,823)
Highways and streets	163,886	-	36,133	(99,400)	-	(99,400)
Total Governmental Activities	446,048	32,939	43,281	(311,531)	-	(311,531)
Business-Type Activities						
Water and Sewer	390,121	362,617	-	-	(10,504)	(10,504)
Total Business-Type Activities	390,121	362,617	-	-	(10,504)	(10,504)
Total Primary Government	\$ 836,169	\$ 395,556	\$ 43,281	\$ (311,531)	\$ (10,504)	\$ (322,035)
General Revenues:						
Taxes:						
General Property Taxes - Net				\$ 39,831	\$ -	\$ 39,831
Sales Taxes				242,296	-	242,296
Building Use Tax				52,859	-	52,859
Franchise Taxes				3,366	-	3,366
Other Taxes				6,485	-	6,485
Interest on Investments				7,996	3,783	11,779
Miscellaneous				31,155	-	31,155
Total General Revenues and Special Items				383,988	3,783	387,771
Change in Net Assets				72,457	(6,721)	65,736
Net Assets - Beginning				1,036,192	2,266,554	3,302,746
Net Assets - Ending				\$ 1,108,649	\$ 2,259,833	\$ 3,368,482

TOWN OF LAKE CITY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	<u>GENERAL FUND</u>	<u>STREETS AND ALLEYS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 223,727	\$ 24,869	\$ 2,700	\$ 251,296
Property Taxes Receivable	-	42,392	-	42,392
Grants Receivable	-	68,000	-	68,000
Due from Other Governments	74,223	3,255	-	77,478
Prepaid Expense	1,371	200	-	1,571
TOTAL ASSETS	<u>\$ 299,321</u>	<u>\$ 138,716</u>	<u>\$ 2,700</u>	<u>\$ 440,737</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 3,077	\$ 2,774	\$ -	\$ 5,851
Due to Other Governments	9,625	-	-	9,625
Unearned Revenues	-	42,392	-	42,392
TOTAL LIABILITIES	<u>12,702</u>	<u>45,166</u>	<u>-</u>	<u>57,868</u>
FUND BALANCE				
Tabor Reserve	10,514	-	-	10,514
Designated for subsequent years	160,482	75,637	500	236,619
Undesignated	115,623	17,913	2,200	135,736
TOTAL FUND BALANCE	<u>286,619</u>	<u>93,550</u>	<u>2,700</u>	<u>382,869</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 299,321</u>	<u>\$ 138,716</u>	<u>\$ 2,700</u>	<u>\$ 440,737</u>

TOWN OF LAKE CITY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2006

Total governmental fund balances	\$ 382,869
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>725,780</u>
Net assets of governmental activities	<u><u>\$ 1,108,649</u></u>

TOWN OF LAKE CITY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	<u>GENERAL FUND</u>	<u>STREETS AND ALLEYS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 293,843	\$ 47,878	\$ 3,116	\$ 344,837
Licenses	16,677	1,650	-	18,327
Intergovernmental Revenues	39,383	64,486	4,363	108,232
Charges for Services	12,032	-	-	12,032
Fines and Forfeits	625	1,265	-	1,890
Interest	7,961	-	35	7,996
TV Special Assessments	-	-	690	690
Miscellaneous	18,301	6,200	-	24,501
TOTAL REVENUES	<u>388,822</u>	<u>121,479</u>	<u>8,204</u>	<u>518,505</u>
EXPENDITURES				
General Government	185,846	-	-	185,846
Culture and Recreation	132,535	-	13,292	145,827
Highways and Streets	-	163,886	-	163,886
Intergovernmental Cooperation Outlay	47,806	-	-	47,806
Capital Outlay	2,033	-	-	2,033
TOTAL EXPENDITURES	<u>368,220</u>	<u>163,886</u>	<u>13,292</u>	<u>545,398</u>
Excess (deficiency) of revenues over expenditur	20,602	(42,407)	(5,088)	(26,893)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(55,000)	50,000	5,000	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(34,398)	7,593	(88)	(26,893)
Fund Balance at beginning of year	<u>321,017</u>	<u>85,957</u>	<u>2,788</u>	<u>409,762</u>
Fund Balance at end of year	<u>\$ 286,619</u>	<u>\$ 93,550</u>	<u>\$ 2,700</u>	<u>\$ 382,869</u>

TOWN OF LAKE CITY, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ (26,893)

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Fixed asset additions	\$	123,348	
Depreciation expense		(23,998)	
Excess of capital outlay over depreciation		99,350	99,350

Change in net assets of governmental funds \$ 72,457

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

REVENUES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Taxes				
Sales Tax	\$ 200,000	\$ 200,000	\$ 239,133✓	\$ 39,133
Cigarette Tax	1,500	1,500	1,601✓	101
Building Use Tax	20,000	20,000	52,859✓	32,859
Franchise Tax	250	250	250✓	-
Total Taxes	221,750	221,750	293,843	72,093
Licenses and Permits				
Liquor Licenses	500	500	621	121
Liquor License Application Fee	700	700	450✓	(250)
CATV Fees	1,500	1,500	1,426✓	(74)
Building Permits	6,000	6,000	13,782	7,782
Sign Permits	100	100	138	38
Dog Licenses	50	50	60	10
Special Use Permits	200	200	200	-
Total Licenses and Permits	9,050	9,050	16,677	7,627
Intergovernmental Revenue				
State of Colorado	28,000	28,000	39,383✓	11,383
Total Intergovernmental Revenue	28,000	28,000	39,383	11,383
Charges for Services				
Court Fees	25	25	-	(25)
Zoning and Subdivision Fees	15	15	-	(15)
Sale of Publications	25	25	30	5
Copies	15	15	90	75
Recreation Program Fees	5,500	5,500	4,086	(1,414)
Recreation Ski Hill Fees	3,000	3,000	7,826	4,826
Total Charges for Services	8,580	8,580	12,032✓	3,452
Fines and Forfeits				
Court Fines	200	200	625✓	425
Total Fines and Forfeits	200	200	625	425
Interest				
Earnings on Deposits	6,000	6,000	7,961✓	1,961
Total Interest	6,000	6,000	7,961	1,961

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Miscellaneous				
Rent from Buildings	300	300	100	(200)
Refunds	100	100	1,612	1,512
Ski Hill Donations	2,750	2,750	2,750	-
Recreation Program Donations	15,000	15,000	13,674	(1,326)
Miscellaneous	500	500	165	(335)
Total Miscellaneous	18,650	18,650	18,301	(349)
TOTAL REVENUES	292,230	292,230	388,822	96,592
EXPENDITURES				
General Government				
Board of Trustees				
Salaries	7,200	7,200	7,050	150
FICA	105	105	102	3
Retirement	720	720	740	(20)
Publicity, Dues and Subscriptions	1,000	1,000	835	165
Professional Services	12,500	12,500	14,142	(1,642)
Travel and Meetings	2,250	2,250	1,117	1,133
Miscellaneous	1,500	1,500	1,923	(423)
Total Board of Trustees	25,275	25,275	25,909	(634)
Town Manager				
Salaries	30,954	30,954	30,740	214
Health Insurance	3,425	3,425	3,334	91
Retirement	3,095	3,095	3,228	(133)
Office Supplies	1,500	1,500	1,556	(56)
Operating Supplies	500	500	1,565	(1,065)
Postage	900	900	517	383
Printing	800	800	590	210
Publicity, Dues, and Subscriptions	200	200	524	(324)
Telephone	2,350	2,350	1,992	358
Travel and Meetings	2,500	2,500	3,840	(1,340)
Miscellaneous	250	250	241	9
Total Town Manager	46,474	46,474	48,127	(1,653)
Municipal Court				
Salaries	2,600	2,600	1,460	1,140
FICA	21	21	6	15
Retirement	260	260	153	107
Health Insurance	120	120	146	(26)
Publicity, Dues, and Subscriptions	50	50	-	50
Travel and Meetings	500	500	385	115
Total Municipal Court	3,551	3,551	2,150	1,401

See Notes to the Basic Financial Statements

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Mayor				
Salaries	1,800	1,800	1,650	150
FICA	27	27	24	3
Retirement	180	180	173	7
Travel and Meetings	500	500	150	350
Total Mayor	<u>2,507</u>	<u>2,507</u>	<u>1,997</u>	<u>510</u>
Town Clerk/Treasurer				
Salaries	20,820	20,820	23,630	(2,810)
FICA	302	302	343	(41)
Workman's Compensation	1,500	1,500	2,541	(1,041)
Retirement	2,082	2,082	2,481	(399)
Health Insurance	2,500	2,500	3,131	(631)
Repair and Maintenance Supplies	500	500	-	500
Publicity, Dues, and Subscriptions	350	350	279	71
Travel	1,250	1,250	-	1,250
Professional Services	1,500	1,500	1,353	147
Legal Notices	2,600	2,600	3,266	(666)
Auditing	5,500	5,500	5,000	500
Repair and Maintenance Services	500	500	1,198	(698)
Operating Supplies	-	-	1,406	(1,406)
Miscellaneous	100	100	-	100
Insurance and Bonds	6,500	6,500	7,251	(751)
Total Town Clerk/Treasurer	<u>46,004</u>	<u>46,004</u>	<u>51,879</u>	<u>(5,875)</u>
Elections				
Total Elections	800	800	1,135	(335)
Building and Plant				
Salaries	5,000	5,000	2,292	2,708
FICA	73	73	33	40
Retirement	500	500	241	259
Janitorial Supplies	650	650	589	61
Repair and Maintenance Supplies	2,000	2,000	1,988	12
Electricity	2,500	2,500	2,395	105
Propane	6,250	6,250	7,586	(1,336)
Repair and Maintenance Services	15,000	15,000	7,466	7,534
Miscellaneous	5,100	5,100	8,761	(3,661)
Total Building and Plant	<u>37,073</u>	<u>37,073</u>	<u>31,351</u>	<u>5,722</u>
Law				
Legal Services	4,750	4,750	6,801	(2,051)
Total Law	<u>4,750</u>	<u>4,750</u>	<u>6,801</u>	<u>(2,051)</u>

See Notes to the Basic Financial Statements

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Economic Development				
Publicity, Dues, and Subscriptions	600	600	497	103
Contract Payments	16,000	16,000	16,000	-
Total Economic Development	16,600	16,600	16,497	103
Total General Government	183,034	183,034	185,846	(2,812)
Culture and Recreation				
Recreation				
Salaries	25,808	25,808	25,270	538
FICA	375	375	333	42
Retirement	2,581	2,581	2,412	169
Health Insurance	5,235	5,235	4,672	563
Contract Instruction	3,000	3,000	355	2,645
Office Supplies	350	350	109	241
Recreation Supplies	5,135	5,135	5,348	(213)
Repairs and Maintenance	400	400	411	(11)
Telephone	1,000	1,000	1,112	(112)
Printing	500	500	-	500
Publicity, Dues and Subscriptions	500	500	1,137	(637)
Travel and Meeting	450	450	156	294
Miscellaneous	500	500	394	106
Total Recreation	45,834	45,834	41,709	4,125
Recreation - Ski Hill				
Salaries	6,023	6,023	6,275	(252)
FICA	100	100	91	9
Retirement	678	678	659	19
Operating Supplies	950	950	972	(22)
Contract Labor	1,970	1,970	2,031	(61)
Repair and Maintenance Supplies	2,000	2,000	1,939	61
Electricity	325	325	329	(4)
Inspections	1,350	1,350	734	616
Repair and Maintenance Services	2,500	2,500	290	2,210
Travel and Meetings	350	350	-	350
Permits	625	625	735	(110)
Miscellaneous	1,800	1,800	642	1,158
Total Recreation - Ski Hill	18,671	18,671	14,697	3,974

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Parks				
Salaries	20,000	20,000	16,794	3,206
FICA	290	290	243	47
Retirement	2,000	2,000	1,763	237
Operating Supplies	3,500	3,500	4,700	(1,200)
Repair and Maintenance Supplies	3,500	3,500	3,749	(249)
Utilities	2,000	2,000	1,627	373
Professional Services	5,000	5,000	382	4,618
Repair and Maintenance Services	1,000	1,000	682	318
Miscellaneous	200	200	1,788	(1,588)
Total Parks	37,490	37,490	31,728	5,762
Total Culture and Recreation	101,995	101,995	88,134	13,861
Intergovernmental Cooperation Outlay				
Contract Payments	55,200	55,200	47,806	7,394
Total Intergovernmental Cooperation Outlay	55,200	55,200	47,806	7,394
Capital Outlay				
Capital Outlay	100,800	100,800	46,434	54,366
Total Capital Outlay	100,800	100,800	46,434	54,366
TOTAL EXPENDITURES	441,029	441,029	368,220	72,809
Excess (Deficiency) of Revenues Over Expenditures	(148,799)	(148,799)	20,602	169,401
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(50,000)	(55,000)	(5,000)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(148,799)	(198,799)	(34,398)	(164,401)
Fund Balance, Beginning of Year	278,519	278,519	321,017	42,498
Fund Balance, End of Year	\$ 129,720	\$ 79,720	\$ 286,619	\$ 206,899

TOWN OF LAKE CITY, COLORADO
STREETS AND ALLEYS FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes				
General Property Taxes	\$ 40,065	\$ 40,065	\$ 39,831	\$ (234)
Specific Ownership Tax	2,750	2,750	4,578	1,828
Sales Tax	1,500	1,500	3,163	1,663
Penalties and Interest	100	100	306	206
Total Taxes	44,415	44,415	47,878	3,463
Licenses and Permits				
Street Permits	1,000	1,000	1,650	650
Total Licenses and Permits	1,000	1,000	1,650	650
Intergovernmental Revenue				
Grant Monies	68,000	68,000	28,353	(39,647)
Highway Users Tax	27,189	27,189	32,070	4,881
Motor Vehicle Registration Fees	2,500	2,500	4,063	1,563
Total Intergovernmental Revenue	97,689	97,689	64,486	(33,203)
Fines and Forfeits				
Traffic Fines	1,000	1,000	1,265	265
Total Fines and Forfeits	1,000	1,000	1,265	265
Miscellaneous				
Rent From Land	100	100	100	-
Refunds	-	-	6,100	6,100
Miscellaneous	250	250	-	(250)
Total Miscellaneous	350	350	6,200	5,850
TOTAL REVENUES	144,454	144,454	121,479	(22,975)
EXPENDITURES				
Highways and Streets				
Maintenance and Condition	50,150	100,150	135,988	(35,838)
Snow and Ice Removal	19,500	19,500	8,612	10,888
Administration	11,933	11,933	7,957	3,976
Drainage	6,000	6,000	2,525	3,475
Landscaping	6,700	6,700	7,468	(768)
Traffic Services	3,000	3,000	1,336	1,664
Capital Outlay	35,900	35,900	-	35,900
Total Highways and Streets	133,183	183,183	163,886	19,297
TOTAL EXPENDITURES	133,183	183,183	163,886	19,297
Excess (deficiency) of revenues over expenditures	11,271	(38,729)	(42,407)	(3,678)

TOWN OF LAKE CITY, COLORADO
STREETS AND ALLEYS FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
OTHER FINANCING SOURCES (USES)				
Transfers In	-	50,000	50,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	50,000	50,000	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	11,271	11,271	7,593	(3,678)
Fund Balance at beginning of year	49,066	49,066	85,957	36,891
Fund Balance at end of year	<u>\$ 60,337</u>	<u>\$ 60,337</u>	<u>\$ 93,550</u>	<u>\$ 33,213</u>

TOWN OF LAKE CITY, COLORADO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
WATER AND SEWER FUND
BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2006

	ACTUAL
OPERATING REVENUES:	
Water Sales	\$ 182,421
Sewage Treatment Charges	163,886
Water Meter Sales	15,487
Miscellaneous	823
	362,617
Total operating revenues	362,617
OPERATING EXPENSES:	
Water Department	108,947
Sewer Department	84,745
Capital Outlay	210
Depreciation	94,263
Administrative and General	99,792
	387,957
Total operating expenses	387,957
Operating income (loss)	(25,340)
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(2,164)
Interest Income	3,783
	1,619
Total nonoperating revenues (expenses)	1,619
Income Before Other Revenue	(23,721)
CAPITAL CONTRIBUTIONS - Tap Fees	17,000
Change in Net Assets	(6,721)
Net Assets at beginning of year	2,266,554
Net Assets at end of year	\$ 2,259,833

**TOWN OF LAKE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2006**

	<u>TOTAL 2006</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 360,075
Cash Paid to Suppliers	(153,537)
Cash Paid for Employee Services	(140,967)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	65,571
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Principal Payments - Notes	(5,316)
Interest Paid	(2,164)
Capital Contributions (water and sewer taps)	17,000
Purchase of Fixed Assets	(22,338)
	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,818)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	3,783
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,783
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,536
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	212,707
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 269,243
	<hr/> <hr/>
Operating Income	\$ (25,340)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	94,263
(Increase) in Accounts Receivable	(2,542)
(Increase) in Prepaid Accounts	(2,480)
(Decrease) in Accounts Payable	(670)
Increase (Decrease) in Accrued Expenses	2,340
Total Adjustments	90,911
	<hr/>
Net Cash Provided by Operating Activities	\$ 65,571
	<hr/> <hr/>

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The Town of Lake City was incorporated on August 16, 1875, and became a statutory town under State Statute (CRS 31-1-101). The Town is governed by a Board of Trustees elected by eligible voters of the Town. The Town provides the following services as authorized by its charter: Public safety, highways and streets, culture and recreation, planning and zoning, and general administrative services.

Component Units

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town
- The organization is financially accountable to the Town
- The organization receives or holds funds that are for the benefit of the Town; and the Town has access to a majority of the funds held; and the funds that are accessible are also significant to the Town

Based upon the aforementioned criteria, there are no other component units included in the financial statements of the Town.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the Town, except for Town fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- 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 in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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 are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are 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 available when they are collectible 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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

- The *General Fund* is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Streets and Alleys Fund* is used to account for revenues in expenditures used to maintain the streets and alleys of the Town.

The Town reports the following major enterprise fund:

- The *Water and Sewer Fund* accounts for user charges and expenses for operating, financing, and maintaining the Town's water, sewer, and sanitation systems.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation. The Town has elected not to follow subsequent private sector guidance.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash

The Town's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with maturity of three months or less.

Investments

All investments, if any, are recorded at fair market value.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The Town's property taxes are collected by the County Treasurer who remits monthly receipts to the Town. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2007 has been recorded in the financial statements as an asset and a corresponding deferred revenue.

Receivables/Payables From Other Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

Prepaid Items

Prepaid expenses in the General Fund consist of the unexpired portion (as of December 31, 2006) of insurance premiums.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

Water and Sewer Tap Connection Charges

The Town charges a one-time tap fee to all property owners within the District who connect to the water or sewer lines installed by the District. This fee represents ownership of the right to tap on to the water or sewer main line sold to the property owners, and is recognized as contributions from the customers when payment becomes due or is received by the Town.

Capital Assets

Capital Assets, which include land, land improvements, buildings, equipment, vehicles, and construction in progress, are reported in the applicable governmental activities columns in the Government-wide Financial Statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and more than one year of use. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Land Improvements	15-50
Buildings	10-50
Equipment	5-20

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. There have been no additions to infrastructure assets since the implementation of GASB Statement No. 34.

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the Government-wide Financial Statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as an other financing use.

Compensated Absences

The Town's policy for compensated absences allows employees to accumulate unused vacation up to 120 hours. Retiring employees are paid 100% of unused vacation up to 120 hours. The Town has not recorded an accrued liability for the accumulated vacation time as the amount is not considered to be material in relation to the financial statements taken as a whole.

Deferred Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as deferred revenues.

Fund Equity

In the Fund Financial Statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted for use by outside parties for a specific purpose. Fund reservations include inventories, and TABOR (discussed later). Designated fund balances indicate

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

Capitalization of Interest

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest was capitalized in the current period.

Encumbrances

The Town does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Town follows the procedures set forth in the Colorado Local Government Budget Law when preparing annual budgets for each fund. Budget procedures include:

- Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- Publication of a notice stating that the budget is available for public inspection.
- Discussion of the budget in a meeting open to the public.
- Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.
- Ordinance to adopt supplemental appropriations.

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 U.S. generally accepted accounting principles (GAAP) with the exception of the Proprietary fund.

The budgets for the proprietary funds are adopted on a basis, which differs from U.S. generally accepted accounting principles (GAAP) in the following ways:

- Tap connection charges and governmental grants are considered receipts or revenues for budgetary purposes.
- Depreciation and amortization of debt costs are not considered expenditures for budgetary purposes.
- Capital expenditures and bond retirement payments are considered expenditures for budgetary purposes.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board did not adopt supplemental appropriations during fiscal year 2006.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable.

Stewardship

The Cable TV/Translator Fund had actual expenditures exceeding the final budgeted amount by \$6,202. Such over expenditures are a violation of Colorado State Statutes.

NOTE 3 CASH, DEPOSITS AND INVESTMENTS

CASH AND DEPOSITS

Colorado State Statutes govern the Town's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 102% of the aggregate uninsured deposits. All deposits in 2006 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At December 31, 2006, \$371,956 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

INVESTMENTS

The Town's investments are subject to interest rate, credit risk, and concentration of credit risk.

The types of investments which are authorized to be made with City funds are controlled by state statute and the investment policies of the Town. Colorado statutes and the Town's investment policies specify investment instruments meeting defined rating and risk criteria in which the Town may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

Credit Risk

The Town's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The Town's investment policy allows for the Town to invest in local government investment pools. As of December 31, 2006, the local government investment pool (ColoTrust) in which the Town had invested, was rated AAA by Standard & Poor's.

A summary of cash, deposits and investments for the Town (excluding Fiduciary Funds) as of December 31, 2006 are as follows:

Cash on Hand and in Banks	\$	466,342
ColoTrust		53,997
Petty Cash		200
		200
Total Deposits and Investments	\$	520,539

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates. The Town has no investments with maturities past five years.

The Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes.

NOTE 4 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2006, the Town had \$77,478 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

NOTE 5 INTERFUND TRANSFERS

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Streets and Alleys	General Fund	\$ 50,000
Cable TV/Translator	General Fund	5,000
		<u>\$ 55,000</u>

In 2006 significant non-routine transfers were as follows:

- \$50,000 from General Fund to Streets and Alleys Fund for various paving projects.
- \$5,000 from General Fund to TV Cable Translator Fund.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>BALANCE</u> <u>12/31/2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2006</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 284,078	\$ -	\$ -	\$ 284,078
Construction in Progress	49,559	-	(49,559)	-
Total capital assets not being depreciated	<u>333,637</u>	<u>-</u>	<u>(49,559)</u>	<u>284,078</u>
Capital assets being depreciated				
Buildings and Improvements	322,810	-	-	322,810
Equipment	134,992	44,401	-	179,393
Improvements	78,127	128,506	-	206,633
Total capital assets being depreciated	<u>535,929</u>	<u>172,907</u>	<u>-</u>	<u>708,836</u>
Less accumulated depreciation for:				
Buildings and Improvements	177,067	3,177	-	180,244
Equipment	60,739	8,883	-	69,622
Improvements	5,330	11,938	-	17,268
Total accumulated depreciation	<u>243,136</u>	<u>23,998</u>	<u>-</u>	<u>267,134</u>
Total Capital Assets being depreciated, net	<u>292,793</u>	<u>148,909</u>	<u>-</u>	<u>441,702</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 626,430</u>	<u>\$ 148,909</u>	<u>\$ (49,559)</u>	<u>\$ 725,780</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land and Water Rights	\$ 81,461	\$ -	\$ -	\$ 81,461
Total capital assets not being depreciated	<u>81,461</u>	<u>-</u>	<u>-</u>	<u>81,461</u>
Capital assets being depreciated				
Property, Plant and Equipment	3,176,132	22,338	-	3,198,470
Total capital assets being depreciated	<u>3,176,132</u>	<u>22,338</u>	<u>-</u>	<u>3,198,470</u>
Less accumulated depreciation for:				
Accumulated Depreciation	(1,263,165)	94,263	-	(1,357,428)
Total accumulated depreciation	<u>(1,263,165)</u>	<u>94,263</u>	<u>-</u>	<u>(1,357,428)</u>
Total Capital Assets being depreciated, net	<u>1,912,967</u>	<u>(71,925)</u>	<u>-</u>	<u>1,841,042</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 1,994,428</u>	<u>\$ (71,925)</u>	<u>\$ -</u>	<u>\$ 1,922,503</u>

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

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

Governmental activities:	
General Government	\$ 23,998
Total depreciation expense – governmental activities	<u>\$ 23,998</u>
Business-type activities:	
Water and Sewer Fund	\$ 94,263
Total depreciation expense – business-type activities	<u>\$ 94,263</u>

NOTE 7 CHANGES IN LONG-TERM DEBT

Business-type Activities

Note Payable

Note Payable to the Department of Local Affairs for the Lake City Water Tank Project, due in annual installments through September 1, 2012 of \$7,480.83, which includes a 5% interest rate. This note is serviced in the Water and Sewer Fund.

The following is a summary of the Town's long-term debt transactions for the year ended December 31, 2006:

<u>Enterprise Fund</u>	<u>Ending Balance 12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2006</u>	<u>Due Within One Year</u>
Note Payable	\$ 43,287	\$ -	\$ 5,316	\$ 37,971	\$ 5,582
Total	<u>\$ 43,287</u>	<u>\$ -</u>	<u>\$ 5,316</u>	<u>\$ 37,971</u>	<u>\$ 5,582</u>

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2007	\$ 5,582	\$ 1,899	\$ 7,481
2008	5,862	1,619	7,481
2009	6,155	1,326	7,481
2010	6,462	1,019	7,481
2011	6,785	695	7,480
2012	7,125	356	7,481
Totals	<u>\$ 37,971</u>	<u>\$ 6,914</u>	<u>\$ 44,885</u>

NOTE 8 EMPLOYEE BENEFITS

Plan Description

The Town of Lake City, Colorado contributes to the Municipal Division Trust Fund (MDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

Retirement Association of Colorado (PERA). The MDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Town of Lake City, Colorado are members of the MDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the MDTF. The report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Basis of Accounting

The financial statements of the MDTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member and the employer is statutorily committed to pay these contributions to the MDTF. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. MDTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Funding Policy

Plan members and the Town of Lake City, Colorado are required to contribute to the MDTF at a rate set by statute. The contribution requirements of plan members and the Town of Lake City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Town of Lake City it is 10.50% of covered salary. Beginning with payroll periods ending on or after January 1, 2001 and before June 1, 2004, the employer contribution paid to the MDTF were reduced by an employer match on members' voluntary contributions to a defined contribution plan. The match, set by the Board of Trustees of PERA, is 100% of a member's eligible tax-deferred retirement program contributions limited by a per payroll whole percentage of PERA-includable salary limit (percentage set for January through May 31, 2004 was 1.0%). Any unused DC match money is forwarded to the MDTF. With the passage and signing of Senate Bill 04-132 the employer match was suspended on June 1, 2004. Also, a portion of the Town of Lake City's contribution (1.10% of covered salary January 1, 2004, through June 30, 2004, 1.02% of covered salary July 1, 2004, through December 31, 2004) is allocated for the Health Care Trust Fund. The Town of Lake City's contributions to MDTF for the years ending December 31, 2004, 2005, and 2006 were \$22,478, \$22,242 and \$24,051, respectively, equal to their required contributions for each year.

NOTE 9 SEGMENT INFORMATION -ENTERPRISE FUND

The following is a summary of information on the segments of the Enterprise Fund.

	WATER	SEWER	TOTAL
Operating Revenue	\$ 198,319	\$ 164,298	\$ 362,617
Depreciation Expense	56,940	37,323	94,263
Operating Income (Loss)	(17,569)	(7,771)	(25,340)
Net Income (Loss)	(7,450)	729	(6,721)
Property, Plant and Equipment	1,935,014	1,344,917	3,279,931
Accumulated Depreciation	645,060	712,368	1,357,428

Because water and sewer services are provided for in one fund, several items cannot be allocated between each segment. Therefore, some line items have been omitted in the segment information.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006

NOTE 10 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 governments. The Amendment is complex and subject to judicial interpretation.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The voters of the Town of Lake City, Colorado passed a 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 limitation 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 amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending in 2006. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 11 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors of their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in a lawsuit. The legal fees are still being covered by the Town's insurer, however any award to the plaintiff would not be covered. Currently the Town believes the final award could not reasonably exceed \$10,000.

TOWN OF LAKE CITY, COLORADO

SUPPLEMENTARY INFORMATION

The Combining Financial Statements represent the second level of financial reporting for the Town. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**TOWN OF LAKE CITY, COLORADO
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expend for particular purposes.

Conservation Trust Fund – This fund is used to account for the Town's share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks, and other public recreational facilities.

TV Cable Translator Fund – This fund is used to account for the Town's Cable TV transactions. The monies may be expended for cable TV services, capital outlay and repairs.

Electric Line Relocation Fund – This fund is used to account for the relocation of electrical lines.

**TOWN OF LAKE CITY, COLORADO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2006**

	<u>CONSERVATION TRUST FUND</u>	<u>CABLE TV/ TRANSLATOR FUND</u>	<u>ELECTRIC LINE RELOCATION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,010	\$ 517	\$ 1,173	\$ 2,700
TOTAL ASSETS	<u>\$ 1,010</u>	<u>\$ 517</u>	<u>\$ 1,173</u>	<u>\$ 2,700</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Designated for subsequent years	-	500	-	500
Undesignated	1,010	17	1,173	2,200
TOTAL FUND BALANCE	<u>1,010</u>	<u>517</u>	<u>1,173</u>	<u>2,700</u>
TOTAL LIABILITES AND FUND BALANCE	<u>\$ 1,010</u>	<u>\$ 517</u>	<u>\$ 1,173</u>	<u>\$ 2,700</u>

TOWN OF LAKE CITY, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	<u>CONSERVATION TRUST FUND</u>	<u>CABLE TV/ TRANSLATOR FUND</u>	<u>ELECTRIC LINE RELOCATION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
REVENUES				
Taxes	\$ -	\$ 2,805	\$ 311	\$ 3,116
Intergovernmental Revenues	4,363	-	-	4,363
Interest	35	-	-	35
TV Special Assessments	-	690	-	690
TOTAL REVENUES	<u>4,398</u>	<u>3,495</u>	<u>311</u>	<u>8,204</u>
EXPENDITURES				
Culture and Recreation	<u>3,390</u>	<u>9,902</u>	<u>-</u>	<u>13,292</u>
TOTAL EXPENDITURES	<u>3,390</u>	<u>9,902</u>	<u>-</u>	<u>13,292</u>
Excess (deficiency) of revenues over expenditures	1,008	(6,407)	311	(5,088)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	1,008	(1,407)	311	(88)
Fund Balance at beginning of year	<u>2</u>	<u>1,924</u>	<u>862</u>	<u>2,788</u>
Fund Balance at end of year	<u>\$ 1,010</u>	<u>\$ 517</u>	<u>\$ 1,173</u>	<u>\$ 2,700</u>

TOWN OF LAKE CITY, COLORADO
OTHER SCHEDULES AND REPORTS

TOWN OF LAKE CITY, COLORADO
BUSINESS-TYPE ACTIVITIES
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUES:				
Water Sales	\$ 170,000	\$ 170,000	\$ 182,421	\$ 12,421
Inspection Fees	100	100	275	175
Sewage Treatment Charges	150,150	150,150	163,886	13,736
Water Meter Fees	-	-	15,487	15,487
Miscellaneous	8,000	8,000	548	(7,452)
Total operating revenues	<u>328,250</u>	<u>328,250</u>	<u>362,617</u>	<u>34,367</u>
OPERATING EXPENSES:				
Water Department	134,078	134,078	108,947	25,131
Sewer Department	97,478	97,478	84,745	12,733
Capital Outlay	60,000	60,000	210	59,790
Administrative and General	108,338	108,338	99,792	8,546
Total operating expenses	<u>399,894</u>	<u>399,894</u>	<u>293,694</u>	<u>106,200</u>
Operating income (loss)	<u>(71,644)</u>	<u>(71,644)</u>	<u>68,923</u>	<u>140,567</u>
NONOPERATING REVENUES (EXPENSES)				
EIAF Loan Payment	(7,481)	(7,481)	(5,316)	2,165
Interest Expense	-	-	(2,164)	(2,164)
Interest Income	2,100	2,100	3,783	1,683
Total nonoperating revenues (expenses)	<u>(5,381)</u>	<u>(5,381)</u>	<u>(3,697)</u>	<u>1,684</u>
Income Before Other Revenue	<u>(77,025)</u>	<u>(77,025)</u>	<u>65,226</u>	<u>142,251</u>
CAPITAL CONTRIBUTIONS - Tap Fees	<u>16,025</u>	<u>16,025</u>	<u>17,000</u>	<u>975</u>
Net Income - Budget Basis	(61,000)	(61,000)	82,226	143,226
Less: Depreciation			(94,263)	
Add: Debt Payments			<u>5,316</u>	
Change in Net Assets - GAAP Basis			(6,721)	
Net Assets at beginning of year	<u>190,021</u>	<u>190,021</u>	<u>2,266,554</u>	<u>2,076,533</u>
Net Assets at end of year	<u>\$ 129,021</u>	<u>\$ 129,021</u>	<u>\$ 2,259,833</u>	<u>\$ 2,130,812</u>

TOWN OF LAKE CITY, COLORADO
CONSERVATION TRUST FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Intergovernmental Grant	\$ 3,000	\$ 3,000	\$ 4,363	\$ 1,363
Interest on Deposits	65	65	35	(30)
TOTAL REVENUES	<u>3,065</u>	<u>3,065</u>	<u>4,398</u>	<u>1,333</u>
EXPENDITURES				
Culture and Recreation				
Parks	4,850	4,850	3,390	1,460
TOTAL EXPENDITURES	<u>4,850</u>	<u>4,850</u>	<u>3,390</u>	<u>1,460</u>
Excess (deficiency) of revenues over expenditures	(1,785)	(1,785)	1,008	2,793
Fund Balance at beginning of year	<u>2,857</u>	<u>2,857</u>	<u>2</u>	<u>(2,855)</u>
Fund Balance at end of year	<u>\$ 1,072</u>	<u>\$ 1,072</u>	<u>\$ 1,010</u>	<u>\$ (62)</u>

TOWN OF LAKE CITY, COLORADO
CABLE TV/TRANSLATOR FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
TV Special Assessments	\$ 1,000	\$ 1,000	\$ 690	\$ (310)
Franchise Taxes	2,200	2,200	2,805	605
TOTAL REVENUES	<u>3,200</u>	<u>3,200</u>	<u>3,495</u>	<u>295</u>
EXPENDITURES				
Culture and Recreation				
Cable TV Expenditures	3,700	3,700	9,902	(6,202)
Total Culture and Recreation	3,700	3,700	9,902	(6,202)
TOTAL EXPENDITURES	<u>3,700</u>	<u>3,700</u>	<u>9,902</u>	<u>(6,202)</u>
Excess (deficiency) of revenues over expenditures	(500)	(500)	(6,407)	(5,907)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	5,000	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(500)	(500)	(1,407)	(907)
Fund Balance at beginning of year	<u>3,204</u>	<u>3,204</u>	<u>1,924</u>	<u>(1,280)</u>
Fund Balance at end of year	<u>\$ 2,704</u>	<u>\$ 2,704</u>	<u>\$ 517</u>	<u>\$ (2,187)</u>

**TOWN OF LAKE CITY, COLORADO
ELECTRICAL LINE RELOCATION FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Franchise Tax	\$ 250	\$ 250	\$ 311	\$ 61
TOTAL REVENUES	<u>250</u>	<u>250</u>	<u>311</u>	<u>61</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	250	250	311	61
Fund Balance at beginning of year	<u>862</u>	<u>862</u>	<u>862</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,112</u>	<u>\$ 1,112</u>	<u>\$ 1,173</u>	<u>\$ 61</u>

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

LOCAL HIGHWAY FINANCE REPORT

City or County: Town of Lake City

YEAR ENDING :
December 2006

This Information From The Records Of (example - City of _ or County of _) Prepared By: Cindy Nelson
Phone: (970) 944-2333

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	2,525
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	135,988
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	1,336
2. General fund appropriations	50,000	b. Snow and ice removal	8,612
3. Other local imposts (from page 2)	53,285	c. Other (Landscaping)	7,468
4. Miscellaneous local receipts (from page 2)	7,771	d. Total (a. through c.)	17,416
5. Transfers from toll facilities		4. General administration & miscellaneous	7,957
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	163,886
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	111,056	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	32,070	2. Notes:	
D. Receipts from Federal Government (from page 2)	28,353	a. Interest	
E. Total receipts (A.7 + B + C + D)	171,479	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	163,886

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	85,957	171,479	163,886	93,550	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2006

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	39,831	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	1,265
1. Sales Taxes	3,163	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	1,650	f. Charges for Services	
5. Specific Ownership &/or Other	8,641	g. Other Misc. Receipts	6,100
6. Total (1. through 5.)	13,454	h. Other	406
c. Total (a. + b.)	53,285	i. Total (a. through h.)	7,771
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	32,070	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	28,353
f. Total (a. through e.)	0	g. Total (a. through f.)	28,353
4. Total (1. + 2. + 3.f)	32,070	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		2,525	2,525
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	2,525	2,525
d. Total Capital Outlay (Lines I.a. + I.b. + I.c.5)	0	2,525	2,525
			(Carry forward to page 1)

Notes and Comments: