

TOWN OF LAKE CITY, COLORADO

FINANCIAL STATEMENTS

December 31, 2007

TOWN OF LAKE CITY, COLORADO
TABLE OF CONTENTS
December 31, 2007

	Page
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Governmental Fund Financial Statements:	
Balance Sheet	4
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Major Funds:	
General Fund	8
Streets and Alleys Fund	14
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses, and Changes in Net Assets	
Water and Sewer Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to the Basic Financial Statements	18
Supplementary Information:	
Combining Statements of Nonmajor Governmental Funds:	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	30
Other Schedules and Reports:	
Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual	
Water and Sewer Fund	31
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Nonmajor Governmental Funds:	
Conservation Trust Fund	32
Cable TV/Translator Fund	33
Electrical Line Relocation Fund	34
Local Highway Finance Report	35

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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, 2007, 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, 2007, 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

October 1, 2008

TOWN OF LAKE CITY, COLORADO
BASIC FINANCIAL STATEMENTS

TOWN OF LAKE CITY, COLORADO
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 311,767	\$ 376,318	\$ 688,085
Receivables:			
Customers, Less Allowance for			
Doubtful Accounts of \$3,084	-	86,378	86,378
Property Taxes Receivable	-42,392 42,791	-	-42,791 - 42,392 ^{PTAX}
Grants Receivable	2,000	-	2,000
Due from Other Governments	85,827	-	85,827
Material and Supplies	-	38,164	38,164
Prepaid Expense	(447)	879	432
Total Current Assets	<u>441,938</u>	<u>501,739</u>	<u>943,677</u>
Capital Assets			
Land and Water Rights	284,078	81,461	365,539
Improvements	220,174	-	220,174
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
Construction in Progress	44,784	-	44,784
Less Accumulated Depreciation/Depletion	(295,735)	(1,444,193)	(1,739,928)
Total Capital Assets	<u>755,504</u>	<u>1,835,738</u>	<u>2,591,242</u>
TOTAL ASSETS	<u>1,197,442</u>	<u>2,337,477</u>	<u>3,534,919</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	34,738	5,224	39,962
Due to Other Governments	5	-	5
Unearned Revenues	-42,392	-	-42,392
Notes Payable	-	5,862	-5,862
Total Current Liabilities	<u>77,135</u>	<u>11,086</u>	<u>88,221</u>
Long-term Liabilities			
Notes Payable	-	26,526	26,526
Total Long-term Liabilities	<u>-</u>	<u>26,526</u>	<u>26,526</u>
TOTAL LIABILITIES	<u>77,135</u>	<u>37,612</u>	<u>114,747</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	755,504	1,803,350	2,558,854
Restricted for:			
TABOR	13,615	-	13,615
Unrestricted	345,223	496,515	841,738
TOTAL NET ASSETS	<u>\$ 1,114,342</u>	<u>\$ 2,299,865</u>	<u>\$ 3,414,207</u>

TOWN OF LAKE CITY, COLORADO
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services		Primary Government		TOTAL
		Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General government	\$ 239,775	\$ 31,901	\$ -	\$ (203,206)	\$ -	\$ (203,206)
Culture and recreation	125,962	7,851	9,901	(108,210)	-	(108,210)
Highways and streets	141,719	-	36,679	(105,040)	-	(105,040)
Total Governmental Activities	507,456	39,752	46,580	(416,456)	-	(416,456)
Business-Type Activities						
Water and Sewer	398,653	377,054	-	-	36,176	36,176
Total Business-Type Activities	398,653	377,054	-	-	36,176	36,176
Total Primary Government	\$ 906,109	\$ 416,806	\$ 46,580	\$ (416,456)	\$ 36,176	\$ (380,280)
General Revenues:						
Taxes:						
General Property Taxes - Net				\$ 42,428	\$ -	\$ 42,428
Sales Taxes				252,951	-	252,951
Building Use Tax				53,660	-	53,660
Franchise Taxes				4,205	-	4,205
Lodging Taxes				23,614	-	23,614
Other Taxes				5,849	-	5,849
Interest on Investments				14,151	3,856	18,007
Miscellaneous				25,291	-	25,291
Total General Revenues and Special Items				422,149	3,856	426,005
Change in Net Assets				5,693	40,032	45,725
Net Assets - Beginning				1,108,649	2,259,833	3,368,482
Net Assets - Ending				\$ 1,114,342	\$ 2,299,865	\$ 3,414,207

See Notes to the Basic Financial Statements

TOWN OF LAKE CITY, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	<u>GENERAL FUND</u>	<u>STREETS AND ALLEYS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 233,658	\$ 69,514	\$ 8,595	\$ 311,767
Property Taxes Receivable	-	42,392	399	42,791
Grants Receivable	2,000	-	-	2,000
Due from Other Governments	78,373	6,361	1,093	85,827
Prepaid Expense	(447)	-	-	(447)
TOTAL ASSETS	<u>\$ 313,584</u>	<u>\$ 118,267</u>	<u>\$ 10,087</u>	<u>\$ 441,938</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 17,450	\$ 17,288	\$ -	\$ 34,738
Due to Other Governments	-	5	-	5
Street Permit Deposits	-	5,965	-	5,965
Unearned Revenues	-	42,392	-	42,392
TOTAL LIABILITIES	<u>17,450</u>	<u>65,650</u>	<u>-</u>	<u>83,100</u>
FUND BALANCE				
Tabor Reserve	13,615	-	-	13,615
Designated for subsequent years	158,883	52,617	2,720	214,220
Undesignated	123,636	-	7,367	131,003
TOTAL FUND BALANCE	<u>296,134</u>	<u>52,617</u>	<u>10,087</u>	<u>358,838</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 313,584</u>	<u>\$ 118,267</u>	<u>\$ 10,087</u>	<u>\$ 441,938</u>

TOWN OF LAKE CITY, COLORADO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET ASSETS
December 31, 2007

Total governmental fund balances	\$ 358,838
 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>755,504</u>
Net assets of governmental activities	 <u><u>\$ 1,114,342</u></u>

TOWN OF LAKE CITY, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	<u>GENERAL FUND</u>	<u>STREETS AND ALLEYS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 329,148	\$ 49,604	\$ 3,955	\$ 382,707
Licenses	29,151	325	-	29,476
Intergovernmental Revenues	12,946	36,679	3,998	53,623
Charges for Services	8,069	-	-	8,069
Fines and Forfeits	187	684	-	871
Interest	14,119	-	32	14,151
TV Special Assessments	-	-	1,336	1,336
Miscellaneous	9,422	13,494	-	22,916
TOTAL REVENUES	<u>403,042</u>	<u>100,786</u>	<u>9,321</u>	<u>513,149</u>
EXPENDITURES				
General Government	217,544	-	-	217,544
Culture and Recreation	124,028	-	1,934	125,962
Highways and Streets	-	141,719	-	141,719
Intergovernmental Cooperation Outlay	51,500	-	-	51,500
Capital Outlay	455	-	-	455
TOTAL EXPENDITURES	<u>393,527</u>	<u>141,719</u>	<u>1,934</u>	<u>537,180</u>
Excess (Deficiency) of revenues over expenditures	9,515	(40,933)	7,387	(24,031)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	9,515	(40,933)	7,387	(24,031)
Fund Balance at beginning of year	<u>286,619</u>	<u>93,550</u>	<u>2,700</u>	<u>382,869</u>
Fund Balance at end of year	<u>\$ 296,134</u>	<u>\$ 52,617</u>	<u>\$ 10,087</u>	<u>\$ 358,838</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, 2007

Net change in fund balances - total governmental funds **\$ (24,031)**

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	\$	58,325	
Depreciation expense		(28,601)	
Excess of capital outlay over depreciation		29,724	29,724

Change in net assets of governmental funds **\$ 5,693**

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	<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				
Taxes				
Sales Tax	\$ 210,000	\$ 210,000	\$ 250,103	\$ 40,103
Cigarette Tax	1,500	1,500	1,521	21
Building Use Tax	20,000	20,000	53,660	33,660
Lodging Tax	20,000	20,000	23,614	3,614
Franchise Tax	250	250	250	-
Total Taxes	<u>251,750</u>	<u>251,750</u>	<u>329,148</u>	<u>77,398</u>
Licenses and Permits				
Liquor Licenses	500	500	671	171
Liquor License Application Fee	700	700	1,050	350
CATV Fees	1,500	1,500	3,927	2,427
Building Permits	6,000	6,000	22,292	16,292
Sign Permits	100	100	111	11
Dog Licenses	50	50	-	(50)
Lodging Permits	-	-	700	700
Special Use Permits	200	200	400	200
Total Licenses and Permits	<u>9,050</u>	<u>9,050</u>	<u>29,151</u>	<u>20,101</u>
Intergovernmental Revenue				
Grant Revenue	12,000	12,000	4,668	(7,332)
State of Colorado	9,000	9,000	8,278	(722)
Total Intergovernmental Revenue	<u>21,000</u>	<u>21,000</u>	<u>12,946</u>	<u>(8,054)</u>
Charges for Services				
Court Fees	25	25	65	40
Zoning and Subdivision Fees	15	15	100	85
Sale of Publications	25	25	5	(20)
Copies	15	15	48	33
Recreation Program Fees	7,250	7,250	2,214	(5,036)
Recreation Ski Hill Fees	3,000	3,000	5,637	2,637
Total Charges for Services	<u>10,330</u>	<u>10,330</u>	<u>8,069</u>	<u>(2,261)</u>
Fines and Forfeits				
Court Fines	200	200	187	(13)
Total Fines and Forfeits	<u>200</u>	<u>200</u>	<u>187</u>	<u>(13)</u>
Interest				
Earnings on Deposits	8,000	8,000	14,119	6,119
Total Interest	<u>8,000</u>	<u>8,000</u>	<u>14,119</u>	<u>6,119</u>

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	<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>
Miscellaneous				
Rent from Buildings	200	200	125	(75)
Refunds	100	100	2,089	1,989
Ski Hill Donations	-	-	575	575
Recreation Program Donations	3,400	3,400	5,328	1,928
Other Donations	-	-	423	423
Bear Proof Cans	-	-	360	360
Miscellaneous	500	500	522	22
Total Miscellaneous	4,200	4,200	9,422	5,222
TOTAL REVENUES	304,530	304,530	403,042	98,512
EXPENDITURES				
General Government				
Board of Trustees				
Salaries	7,200	7,200	7,200	-
FICA	105	105	104	1
Retirement	720	720	792	(72)
Operating Supplies	-	-	31	(31)
Publicity, Dues and Subscriptions	1,000	1,000	682	318
Professional Services	500	500	-	500
Travel and Meetings	2,250	2,250	1,231	1,019
Miscellaneous	1,500	1,500	15,943	(14,443)
Total Board of Trustees	13,275	13,275	25,983	(12,708)
Town Manager				
Salaries	32,502	32,502	31,668	834
Health Insurance	3,900	3,900	3,642	258
Retirement	3,250	3,250	3,501	(251)
Office Supplies	1,500	1,500	1,991	(491)
Operating Supplies	500	500	1,569	(1,069)
Postage	900	900	967	(67)
Printing	800	800	26	774
Publicity, Dues, and Subscriptions	200	200	205	(5)
Telephone	2,350	2,350	1,909	441
Travel and Meetings	3,000	3,000	3,898	(898)
Recording Documents Expense	-	-	64	(64)
Miscellaneous	250	250	357	(107)
Total Town Manager	49,152	49,152	49,797	(645)

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
Municipal Court				
Salaries	2,600	2,600	1,792	808
FICA	21	21	10	11
Retirement	260	260	197	63
Health Insurance	120	120	-	120
Publicity, Dues, and Subscriptions	50	50	30	20
Travel and Meetings	500	500	-	500
Total Municipal Court	3,551	3,551	2,029	1,522
Mayor				
Salaries	1,800	1,800	1,800	-
FICA	27	27	26	1
Retirement	180	180	198	(18)
Travel and Meetings	500	500	-	500
Total Mayor	2,507	2,507	2,024	483
Town Clerk/Treasurer				
Salaries	21,861	21,861	18,900	2,961
FICA	317	317	274	43
Workman's Compensation	2,750	2,750	3,264	(514)
Retirement	2,186	2,186	2,075	111
Health Insurance	2,265	2,265	2,240	25
Repair and Maintenance Supplies	500	500	-	500
Publicity, Dues, and Subscriptions	350	350	180	170
Travel	1,500	1,500	2,885	(1,385)
Professional Services	2,800	2,800	1,363	1,437
Legal Notices	2,600	2,600	2,518	82
Auditing	5,500	5,500	5,250	250
Repair and Maintenance Services	500	500	-	500
Miscellaneous	100	100	73	27
Insurance and Bonds	7,500	7,500	6,898	602
Total Town Clerk/Treasurer	50,729	50,729	45,920	4,809
Building and Plant				
Salaries	5,000	5,000	4,017	983
FICA	73	73	58	15
Retirement	500	500	442	58
Janitorial Supplies	650	650	767	(117)
Other Operating Supplies	-	-	1,411	(1,411)
Repair and Maintenance Supplies	2,000	2,000	2,278	(278)
Electricity	2,500	2,500	2,851	(351)

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Propane	6,750	6,750	8,752	(2,002)
Repair and Maintenance Services	15,000	15,000	3,735	11,265
Trash Collection	5,000	5,000	3,295	1,705
Miscellaneous/Special Fees	100	100	-	100
Total Building and Plant	37,573	37,573	27,606	9,967
Law				
Legal Services	-	-	4,791	(4,791)
Total Law	-	-	4,791	(4,791)
Economic Development				
Publicity, Dues, and Subscriptions	600	600	572	28
Contract Payments	16,000	16,000	16,000	-
Total Economic Development	16,600	16,600	16,572	28
Marketing				
Office Supplies	-	-	152	(152)
Operating Supplies	-	-	512	(512)
Postage	-	-	162	(162)
Publicity, Dues, and Subscriptions	-	-	787	(787)
Professional Services	34,000	34,000	39,280	(5,280)
Travel & Meetings	-	-	1,723	(1,723)
Miscellaneous Expense	-	-	206	(206)
Total Marketing	34,000	34,000	42,822	(8,822)
Total General Government	207,387	207,387	217,544	(10,157)
Culture and Recreation				
Recreation				
Salaries	28,850	28,850	30,910	(2,060)
FICA	393	393	448	(55)
Retirement	2,710	2,710	3,394	(684)
Health Insurance	4,330	4,330	4,326	4
Contract Instruction	4,195	4,195	-	4,195
Office Supplies	350	350	242	108
Recreation Supplies	6,920	6,920	14,541	(7,621)
Basketball Expense	-	-	5	(5)
Repairs and Maintenance	300	300	-	300
Telephone	1,175	1,175	1,738	(563)
Printing	50	50	-	50
Publicity, Dues and Subscriptions	750	750	961	(211)

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
Travel and Meeting	360	360	192	168
Refund Expense	-	-	341	(341)
Miscellaneous	300	300	490	(190)
Total Recreation	50,683	50,683	57,588	(6,905)
Recreation - Ski Hill				
Salaries	5,940	5,940	7,084	(1,144)
FICA	87	87	103	(16)
Retirement	594	594	774	(180)
Professional Services	-	-	361	(361)
Operating Supplies	950	950	4,712	(3,762)
Contract Labor	2,050	2,050	1,480	570
Repair and Maintenance Supplies	2,000	2,000	1,151	849
Electricity	355	355	401	(46)
Inspections	1,400	1,400	986	414
Repair and Maintenance Services	2,500	2,500	2,397	103
Travel and Meetings	430	430	617	(187)
Permits	625	625	575	50
Postage	-	-	4	(4)
Printing Expense	-	-	101	(101)
Publicity, Dues and Subscriptions	950	950	486	464
Miscellaneous	1,450	1,450	468	982
Total Recreation - Ski Hill	19,331	19,331	21,700	(2,369)
Parks				
Salaries	18,000	18,000	23,283	(5,283)
FICA	261	261	337	(76)
Retirement	1,800	1,800	2,558	(758)
Health Insurance	550	550	587	(37)
Operating Supplies	2,500	2,500	5,536	(3,036)
Janitorial Supplies	1,000	1,000	1,186	(186)
Repair and Maintenance Supplies	3,500	3,500	1,279	2,221
Electricity	3,000	3,000	1,527	1,473
Professional Services	13,000	13,000	2,657	10,343
Repair and Maintenance Services	1,000	1,000	534	466
Trash Collection	-	-	4,076	(4,076)
Miscellaneous	3,600	3,600	1,180	2,420
Total Parks	48,211	48,211	44,740	3,471
Total Culture and Recreation	118,225	118,225	124,028	(5,803)
Intergovernmental Cooperation Outlay				
Contract Payments	55,200	55,200	51,500	3,700

TOWN OF LAKE CITY, COLORADO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Total Intergovernmental Cooperation Outlay	55,200	55,200	51,500	3,700
Capital Outlay				
Outbuilding Preservation/Stabilization	20,000	20,000	-	20,000
Capital Outlay - Trail Construction	64,200	64,200	455	63,745
Total Capital Outlay	84,200	84,200	455	83,745
TOTAL EXPENDITURES	465,012	465,012	393,527	71,485
Excess (Deficiency) of Revenues Over Expenditures	(160,482)	(160,482)	9,515	169,997
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(160,482)	(160,482)	9,515	(169,997)
Fund Balance, Beginning of Year	278,936	278,936	286,619	7,683
Fund Balance, End of Year	<u>\$ 118,454</u>	<u>\$ 118,454</u>	<u>\$ 296,134</u>	<u>\$ 177,680</u>

TOWN OF LAKE CITY, COLORADO
STREETS AND ALLEYS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
General Property Taxes	\$ 42,389	\$ 42,389	\$ 42,428	\$ 39
Specific Ownership Tax	2,750	2,750	4,038	1,288
Sales Tax	1,500	1,500	2,848	1,348
Penalties and Interest	100	100	290	190
Total Taxes	46,739	46,739	49,604	2,865
Licenses and Permits				
Street Permits	1,000	1,000	325	(675)
Total Licenses and Permits	1,000	1,000	325	(675)
Intergovernmental Revenue				
Highway Users Tax	27,057	27,057	29,120	2,063
R&B Tax	-	-	3,360	3,360
Motor Vehicle Registration Fees	2,500	2,500	4,199	1,699
Total Intergovernmental Revenue	29,557	29,557	36,679	7,122
Fines and Forfeits				
Traffic Fines	1,000	1,000	684	(316)
Total Fines and Forfeits	1,000	1,000	684	(316)
Miscellaneous				
Rent From Land	100	100	100	-
Refunds	-	-	13,394	13,394
Miscellaneous	250	250	-	(250)
Total Miscellaneous	350	350	13,494	13,144
TOTAL REVENUES	78,646	78,646	100,786	22,140
EXPENDITURES				
Highways and Streets				
Maintenance and Condition Supplies	4,000	4,000	2,788	1,212
Repair and Maintenance Service	41,250	41,250	38,429	2,821
Gravel Expense	5,000	5,000	10,009	(5,009)
Paving Expense	-	-	3,500	(3,500)
Weed Control	1,000	1,000	-	1,000
Traffic Signs	3,000	3,000	233	2,767
Drainage	9,000	9,000	6,499	2,501
Snow and Ice Removal	19,500	19,500	11,085	8,415
Miscellaneous	500	500	-	500
Total Highways and Streets	83,250	83,250	72,543	10,707

TOWN OF LAKE CITY, COLORADO
STREETS AND ALLEYS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	<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>
Trees and Landscaping				
Supplies	\$ 1,100	\$ 1,100	\$ 64	\$ 1,036
Services	7,000	7,000	3,500	3,500
Travel and Meetings	500	500	-	500
Miscellaneous	500	500	145	355
Total Trees and Landscaping	<u>9,100</u>	<u>9,100</u>	<u>3,709</u>	<u>5,391</u>
Administration				
Salaries	4,000	4,000	108	3,892
PERA	400	400	12	388
FICA	58	58	2	56
Professional Services	5,000	5,000	-	5,000
Utilities	225	225	260	(35)
Treasurer's Fees	750	750	854	(104)
Boardwalks	-	-	1,945	(1,945)
Master Plan Implementation Reserve	50,000	50,000	44,784	5,216
Miscellaneous	1,500	1,500	17,502	(16,002)
Total Administration	<u>61,933</u>	<u>61,933</u>	<u>65,467</u>	<u>(3,534)</u>
TOTAL EXPENDITURES	<u>154,283</u>	<u>154,283</u>	<u>141,719</u>	<u>12,564</u>
Excess (deficiency) of revenues over expenditures	<u>(75,637)</u>	<u>(75,637)</u>	<u>(40,933)</u>	<u>34,704</u>
Fund Balance at beginning of year	<u>79,288</u>	<u>79,288</u>	<u>93,550</u>	<u>14,262</u>
Fund Balance at end of year	<u>\$ 3,651</u>	<u>\$ 3,651</u>	<u>\$ 52,617</u>	<u>\$ 48,966</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, 2007

	ACTUAL
OPERATING REVENUES:	
Water Sales	\$ 189,108
Sewage Treatment Charges	170,402
Water Meter Sales	16,438
Miscellaneous	1,106
Total operating revenues	377,054 ✓
OPERATING EXPENSES:	
Water Department	125,906
Sewer Department	86,004
Depreciation	86,765
Administrative and General	98,079
Total operating expenses	396,754 ✓
Operating income (loss)	(19,700)
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(1,899)
Interest Income	3,856
Total nonoperating revenues (expenses)	1,957
Income Before Other Revenue	(17,743)
CAPITAL CONTRIBUTIONS - Tap Fees	57,775 ✓
Change in Net Assets	40,032
Net Assets at beginning of year	2,259,833
Net Assets at end of year	\$ 2,299,865

**TOWN OF LAKE CITY, COLORADO
WATER & SEWER FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007**

	TOTAL 2007
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 374,520
Cash Paid to Suppliers	(180,500)
Cash Paid for Employee Services	(141,094)
	<u>52,926</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>52,926</u>
Cash Flows from Noncapital Financing Activities:	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Payments - Notes	(5,583)
Interest Paid	(1,899)
Capital Contributions (water and sewer taps)	57,775
	<u>50,293</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>50,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	3,856
	<u>3,856</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,856</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,075
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>269,243</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 376,318</u></u>
Operating Income	\$ (19,700)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	86,765
(Increase) in Accounts Receivable	(2,534)
(Increase) in Inventory	(14,283)
(Increase) in Prepaid Accounts	3,307
(Decrease) in Accounts Payable	(629)
Total Adjustments	<u>72,626</u>
Net Cash Provided by Operating Activities	<u><u>\$ 52,926</u></u>

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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.

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:

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

- 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.

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.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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, 2008 has been recorded in the financial statements as an asset and a corresponding deferred revenue.

Inventory

Inventories held by the Water and Sewer Fund are stated at cost.

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, 2007) of insurance premiums.

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.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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 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.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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.

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 2007.

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

Stewardship

The Conservation Trust Fund had actual expenditures exceeding the final budgeted amount by \$210. Such over expenditures are a violation of Colorado State Statutes.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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 2007 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, 2007, \$534,313 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.

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, 2007, the local government investment pool (ColoTrust) in which the Town had invested, was rated AAA by Standard & Poor's.

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

A summary of cash, deposits and investments for the Town (excluding Fiduciary Funds) as of December 31, 2007 are as follows:

Cash on Hand and in Banks	\$ 630,790
ColoTrust	57,096
Petty Cash	<u>200</u>
Total Deposits and Investments	<u>\$ 688,086</u>

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, 2007, the Town had \$85,827 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, 2007

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>BALANCE</u> <u>12/31/2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2007</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Construction In Progress	\$ -	\$ 44,784	\$ -	\$ 44,784
Land	284,078	-	-	284,078
Total capital assets not being depreciated	<u>284,078</u>	<u>44,784</u>	<u>-</u>	<u>328,862</u>
Capital assets being depreciated				
Buildings and Improvements	322,810	-	-	322,810
Equipment	179,393	-	-	179,393
Improvements	206,633	13,541	-	220,174
Total capital assets being depreciated	<u>708,836</u>	<u>13,541</u>	<u>-</u>	<u>722,377</u>
Less accumulated depreciation for:				
Buildings and Improvements	180,244	3,176	-	183,420
Equipment	69,622	12,584	-	82,206
Improvements	17,268	12,841	-	30,109
Total accumulated depreciation	<u>267,134</u>	<u>28,601</u>	<u>-</u>	<u>295,735</u>
Total Capital Assets being depreciated, net	<u>441,702</u>	<u>(15,060)</u>	<u>-</u>	<u>426,642</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 725,780</u>	<u>\$ 29,724</u>	<u>\$ -</u>	<u>\$ 755,504</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	3,198,470	-	-	3,198,470
Total capital assets being depreciated	<u>3,198,470</u>	<u>-</u>	<u>-</u>	<u>3,198,470</u>
Less accumulated depreciation for:				
Accumulated Depreciation	(1,357,428)	86,765	-	(1,444,193)
Total accumulated depreciation	<u>(1,357,428)</u>	<u>86,765</u>	<u>-</u>	<u>(1,444,193)</u>
Total Capital Assets being depreciated, net	<u>1,841,042</u>	<u>(86,765)</u>	<u>-</u>	<u>1,754,277</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 1,922,503</u>	<u>\$ (86,765)</u>	<u>\$ -</u>	<u>\$ 1,835,738</u>

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

Governmental activities:

General Government	\$ 28,601
Total depreciation expense – governmental activities	<u>\$ 28,601</u>

Business-type activities:

Water and Sewer Fund	\$ 86,765
Total depreciation expense – business-type activities	<u>\$ 86,765</u>

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

NOTE 6 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, 2007:

<u>Enterprise Fund</u>	<u>Ending Balance 12/31/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2007</u>	<u>Due Within One Year</u>
Note Payable	\$ 37,971	\$ -	\$ 5,583	\$ 32,388	\$ 5,862
Total	<u>\$ 37,971</u>	<u>\$ -</u>	<u>\$ 5,583</u>	<u>\$ 32,388</u>	<u>\$ 5,862</u>

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
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	7,124	356	7,480
Totals	<u>\$ 32,388</u>	<u>\$ 5,015</u>	<u>\$ 37,403</u>

NOTE 7 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 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

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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, 2005, 2006, and 2007 were \$22,242, \$24,051 and \$26,568, respectively, equal to their required contributions for each year.

NOTE 8 SEGMENT INFORMATION – ENTERPRISE FUND

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

	WATER	SEWER	TOTAL
Operating Revenue	\$ 205,899	\$ 171,155	\$ 377,054
Depreciation Expense	50,995	35,770	86,765
Operating Income (Loss)	(20,041)	341	(19,700)
Net Income (Loss)	11,212	28,820	40,032
Property, Plant and Equipment	1,912,676	1,367,255	3,279,931
Accumulated Depreciation	693,821	750,372	1,444,193

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.

NOTE 9 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

TOWN OF LAKE CITY, COLORADO
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2007

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 2007. 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 10 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 11 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.

**TOWN OF LAKE CITY, COLORADO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2007**

	<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	\$ 3,737	\$ 3,290	\$ 1,568	\$ 8,595
Due from Other Governments	1,093	-	-	1,093
Taxes Receivable	-	399	-	399
TOTAL ASSETS	<u>\$ 4,830</u>	<u>\$ 3,689</u>	<u>\$ 1,568</u>	<u>\$ 10,087</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE				
Designated for subsequent years	1,970	750	-	2,720
Undesignated	2,860	2,939	1,568	7,367
TOTAL FUND BALANCE	<u>4,830</u>	<u>3,689</u>	<u>1,568</u>	<u>10,087</u>
TOTAL LIABILITES AND FUND BALANCE	<u>\$ 4,830</u>	<u>\$ 3,689</u>	<u>\$ 1,568</u>	<u>\$ 10,087</u>

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 STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	CONSERVATION TRUST FUND	CABLE TV/ TRANSLATOR FUND	ELECTRIC LINE RELOCATION FUND	TOTAL NONMAJOR GOVERNMENTAL
REVENUES				
Taxes	\$ -	\$ 3,560	\$ 395	\$ 3,955
Intergovernmental Revenues	3,998	-	-	3,998
Interest	32	-	-	32
TV Special Assessments	-	1,336	-	1,336
TOTAL REVENUES	4,030	4,896	395	9,321
EXPENDITURES				
Culture and Recreation	210	1,724	-	1,934
TOTAL EXPENDITURES	210	1,724	-	1,934
Excess (Deficiency) of revenues over expenditures	3,820	3,172	395	7,387
Fund Balance at beginning of year	1,010	517	1,173	2,700
Fund Balance at end of year	\$ 4,830	\$ 3,689	\$ 1,568	\$ 10,087

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, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUES:				
Water Sales	\$ 185,000	\$ 185,000	\$ 189,108	\$ 4,108
Inspection Fees	100	100	400	300
Sewage Treatment Charges	175,150	175,150	170,402	(4,748)
Water Meter Fees	-	-	16,438	16,438
Miscellaneous	8,000	8,000	706	(7,294)
Total operating revenues	368,250	368,250	377,054	8,804
OPERATING EXPENSES:				
Water Department	139,578	139,578	125,906	13,672
Sewer Department	116,578	116,578	86,004	30,574
Capital Outlay	195,000	195,000	-	195,000
Administrative and General	112,125	112,125	98,079	14,046
Total operating expenses	563,281	563,281	309,989	253,292
Operating income (loss)	(195,031)	(195,031)	67,065	262,096
NONOPERATING REVENUES (EXPENSES)				
ELAF Loan Payment	(7,481)	(7,481)	(5,583)	1,898
Interest Expense	-	-	(1,899)	(1,899)
Interest Income	3,000	3,000	3,856	856
Total nonoperating revenues (expenses)	(4,481)	(4,481)	(3,626)	855
Income Before Other Revenue	(199,512)	(199,512)	63,439	262,951
CAPITAL CONTRIBUTIONS - Tap Fees	16,025	16,025	57,775	41,750
Net Income - Budget Basis	(183,487)	(183,487)	121,214	304,701
Less: Depreciation			(86,765)	
Add: Debt Payments			5,583	
Change in Net Assets - GAAP Basis			40,032	
Net Assets at beginning of year	319,573	319,573	2,259,833	1,940,260
Net Assets at end of year	<u>\$ 136,086</u>	<u>\$ 136,086</u>	<u>\$ 2,299,865</u>	<u>\$ 2,163,779</u>

**TOWN OF LAKE CITY, COLORADO
 CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental Grant	\$ 3,000	\$ 3,000	\$ 3,998	\$ 998
Interest on Deposits	65	65	32	(33)
TOTAL REVENUES	<u>3,065</u>	<u>3,065</u>	<u>4,030</u>	<u>965</u>
EXPENDITURES				
Culture and Recreation				
Parks	-	-	210	(210)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>210</u>	<u>(210)</u>
Excess (deficiency) of revenues over expenditures	3,065	3,065	3,820	755
Fund Balance at beginning of year	<u>32</u>	<u>32</u>	<u>1,010</u>	<u>978</u>
Fund Balance at end of year	<u>\$ 3,097</u>	<u>\$ 3,097</u>	<u>\$ 4,830</u>	<u>\$ 1,733</u>

TOWN OF LAKE CITY, COLORADO
CABLE TV/TRANSLATOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	<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	\$ 1,336	\$ 336
Franchise Taxes	2,200	2,200	3,560	1,360
TOTAL REVENUES	<u>3,200</u>	<u>3,200</u>	<u>4,896</u>	<u>1,696</u>
EXPENDITURES				
Culture and Recreation				
Cable TV Expenditures	3,700	3,700	1,724	1,976
Total Culture and Recreation	3,700	3,700	1,724	1,976
TOTAL EXPENDITURES	<u>3,700</u>	<u>3,700</u>	<u>1,724</u>	<u>1,976</u>
Excess (deficiency) of revenues over expenditures	(500)	(500)	3,172	3,672
Fund Balance at beginning of year	958	958	517	(441)
Fund Balance at end of year	<u>\$ 458</u>	<u>\$ 458</u>	<u>\$ 3,689</u>	<u>\$ 3,231</u>

**TOWN OF LAKE CITY, COLORADO
ELECTRICAL LINE RELOCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2007**

	<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	\$ 395	\$ 145
TOTAL REVENUES	<u>250</u>	<u>250</u>	<u>395</u>	<u>145</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	250	250	395	145
Fund Balance at beginning of year	<u>1,173</u>	<u>1,173</u>	<u>1,173</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,423</u>	<u>\$ 1,423</u>	<u>\$ 1,568</u>	<u>\$ 145</u>

LOCAL HIGHWAY FINANCE REPORT

City or County:
Town of Lake City
YEAR ENDING :
December 2007

This Information From The Records Of : Town of Lake City

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)	6,499
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	56,671
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	233
2. General fund appropriations		b. Snow and ice removal	11,085
3. Other local imposts (from page 2)	57,198	c. Other	3,709
4. Miscellaneous local receipts (from page 2)	14,468	d. Total (a. through c.)	15,027
5. Transfers from toll facilities		4. General administration & miscellaneous	63,522
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	141,719
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)	71,666	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	29,120	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	100,786	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)	141,719

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
	93,550	100,786	141,719	52,617	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING:
December 2007

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	42,428	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	684
1. Sales Taxes	2,848	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	325	f. Charges for Services	
5. Specific Ownership &/or Other	11,597	g. Other Misc. Receipts	13,394
6. Total (1. through 5.)	14,770	h. Other	390
c. Total (a. + b.)	57,198	i. Total (a. through h.)	14,468
	(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	29,120	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	0
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	29,120	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		6,499	6,499
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	6,499	6,499
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	6,499	6,499
			(Carry forward to page 1)

Notes and Comments: