

**TOWN OF LAKE CITY
LAKE CITY, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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TOWN OF LAKE CITY, COLORADO

BOARD OF TRUSTEES
DECEMBER 31, 2019

Board of Trustees

Bruce Vierheller – Mayor

Jeff Heaton - Trustee

Judson Hollingsworth – Trustee

Richard Moore – Trustee

Marty Priest – Trustee

Alan Rae – Trustee

Dave Roberts - Trustee

ADMINISTRATION

Caroline Mitchell – Town Manager

Jamie Turrentine – Town Clerk

Town of Lake City
Management Discussion and Analysis
December 31, 2019

The discussion and analysis of the Town of Lake City's financial performance provides an overall review of the Town's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to broaden their understanding of the Town's financial performance.

Financial Highlights

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

The Town of Lake City's governmental net position increased by \$182,168 and business-type net position increased by \$220,306 for the year.

- The assets of the Town exceeded its liabilities at the close of fiscal year 2019 by \$6,542,588 (*net position*). Of this amount, \$1,631,744 (*unrestricted net position*) may be used to meet the Town's ongoing obligations or unforeseen expenses.
- At the end of 2019 total net position for the proprietary funds (business-type activities) was \$4,697,933 while the total net position for the governmental funds was \$1,844,655.
- Governmental Activities - Revenues increased from \$608,133 in 2018 to \$709,562 in 2019 which is a difference of \$101,429. Expenditures increased by \$43,421 from \$489,139 in 2018 to \$532,560 in 2019.

Business-type Activities – Revenues decreased from \$1,029,550 in 2018 to \$794,067 in 2019. This decrease is primarily attributed to the end of the sewer line rehabilitation project grant funding with a decrease of \$204,232. Expenditures decreased slightly from 2018 to 2019 by \$9,648.

Using the Basic Financial Statements

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

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

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

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

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

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

Financial Analysis of the Town as a Whole

The Town's total net position was \$6,542,588 as of December 31, 2019 and \$6,153,823 as of December 31, 2018. This represents an increase of \$388,765. This increase is attributed to both the General Activities Fund and the Business-type Activities Fund.

Government-Wide Financial Statements

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

Town of Lake City
Management Discussion and Analysis
December 31, 2019

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

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

Net Position

Net position might serve over time as a useful indicator of a government's financial position. In the case of the Town of Lake City, assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$6,542,588 at the close of 2019.

Net position of the Town on December 31, 2019 was as follows:

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 951,636	\$ 765,025	\$ 2,018,706	\$ 1,287,117	\$ 2,970,342	\$ 2,052,142
Capital Assets, net	1,235,353	1,266,764	4,304,609	3,929,193	5,539,962	5,195,957
Other Noncurrent Assets, net	-	-	20,583	29,531	20,583	29,531
TOTAL ASSETS	2,186,989	2,031,789	6,343,898	5,245,841	8,530,887	7,277,630
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	133,252	76,870	151,339	78,131	284,591	155,001
LIABILITIES						
Current Liabilities	30,694	20,051	54,351	26,499	85,045	46,550
Non-Current Liabilities	308,721	280,256	1,664,313	729,747	1,973,034	1,010,003
TOTAL LIABILITIES	339,415	300,307	1,718,664	756,246	2,058,079	1,056,553
Deferred Inflows						
Pension and OPEB Def	70,171	78,831	58,058	76,390	128,229	155,221
Unavailable Revenue - Property Taxes	66,000	67,033	-	-	66,000	67,033
TOTAL DEFERRED INFLOWS	136,171	145,864	58,058	76,390	194,229	222,254
Net Position						
Net Investment in Capital Assets	1,235,353	1,266,764	3,527,129	3,929,193	4,762,482	5,195,957
Restricted Net Position	40,278	32,885	108,084	96,133	148,362	129,018
Unrestricted	569,024	362,838	1,062,720	466,010	1,631,744	828,848
TOTAL NET POSITION	\$ 1,844,655	\$ 1,662,487	\$ 4,697,933	\$ 4,491,336	\$ 6,542,588	\$ 6,153,823

Town of Lake City
Management Discussion and Analysis
December 31, 2019

The bulk of the Town's resources, \$4,762,482 are invested in capital assets. These assets consist of land and improvements, buildings, equipment, and utility system assets and are not available to fund current operations.

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

Changes in Net Position

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

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

	Condensed Statement of Activities					
	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for Services	\$ 54,175	\$ 40,064	\$ 594,062	\$ 628,239	\$ 648,237	\$ 668,303
Operating Grants and Contrib.	68,182	58,323	-	-	68,182	58,323
Capital Grants and Contrib.	6,819	10,946	191,132	395,364	197,951	406,310
Total Program Revenues	<u>129,176</u>	<u>109,333</u>	<u>785,194</u>	<u>1,023,603</u>	<u>914,370</u>	<u>1,132,936</u>
General Revenues:						
Taxes	570,341	483,745	-	-	570,341	483,745
Other General Revenues	10,045	15,055	8,873	5,947	18,918	21,002
Total General Revenues	<u>580,386</u>	<u>498,800</u>	<u>8,873</u>	<u>5,947</u>	<u>589,259</u>	<u>504,747</u>
Total Revenues	<u>709,562</u>	<u>608,133</u>	<u>794,067</u>	<u>1,029,550</u>	<u>1,503,629</u>	<u>1,637,683</u>
Program Expenses						
General Government	170,891	181,856	-	-	170,891	181,856
Public Safety	83,275	81,432	-	-	83,275	81,432
Public Works	59,034	73,171	-	-	59,034	73,171
Parks and Recreation	144,578	175,779	-	-	144,578	175,779
Water & Sewer Utility	-	-	581,811	591,459	581,811	591,459
Total Expenses	<u>457,778</u>	<u>512,238</u>	<u>581,811</u>	<u>591,459</u>	<u>1,039,589</u>	<u>1,103,697</u>
Change in Net Position	<u>251,784</u>	<u>95,895</u>	<u>212,256</u>	<u>438,091</u>	<u>464,040</u>	<u>533,986</u>
Net Position, Beginning	1,662,487	1,596,976	4,491,336	4,076,174	6,153,823	5,673,150
Prior Period Restatement	<u>(69,616)</u>	<u>(30,384)</u>	<u>(5,659)</u>	<u>(22,929)</u>	<u>(75,275)</u>	<u>(53,313)</u>
Net Position, Beginning (As Restated)	<u>1,592,871</u>	<u>1,566,592</u>	<u>4,485,677</u>	<u>4,053,245</u>	<u>6,078,548</u>	<u>5,619,837</u>
Net Position, Ending	<u>\$ 1,844,655</u>	<u>\$ 1,662,487</u>	<u>\$ 4,697,933</u>	<u>\$ 4,491,336</u>	<u>\$ 6,542,588</u>	<u>\$ 6,153,823</u>

Town of Lake City
Management Discussion and Analysis
December 31, 2019

Financial Analysis of the Town's Funds

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

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

General Fund – The General Fund went from a fund balance of \$663,055 to \$835,664. This increase is principally the result an increase in sales tax revenues and in overall revenues in excess of expenditures similar to prior years.

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

Water and Sewer Enterprise Fund – The Water and Sewer Fund net position primarily increased due to loan and grant funded capital improvements.

Capital Assets

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

	<u>Balance</u> <u>1/0/1900</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>1/0/1900</u>
Governmental Activities:					
Assets not being depreciated					
Land	\$ 284,078	\$ -	\$ -	\$ -	\$ 284,078
Construction in Progress	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Total assets not being depreciated	<u>284,078</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>300,078</u>
Assets being depreciated					
Buildings and Improvements	1,461,950	-	-	-	1,461,950
Machinery and Equipment	<u>184,551</u>	<u>9,999</u>	<u>60,947</u>	<u>-</u>	<u>133,603</u>
Total assets being depreciated	<u>1,646,501</u>	<u>9,999</u>	<u>60,947</u>	<u>-</u>	<u>1,595,553</u>
Less: Accumulated depreciation					
Buildings and Improvements	(494,129)	(51,174)	-	-	(545,303)
Machinery and Equipment	<u>(169,686)</u>	<u>(4,611)</u>	<u>(59,322)</u>	<u>-</u>	<u>(114,975)</u>
Total accumulated depreciation	<u>(663,815)</u>	<u>(55,785)</u>	<u>(59,322)</u>	<u>-</u>	<u>(660,278)</u>
Net Capital Assets	<u>\$ 1,266,764</u>	<u>\$ (29,786)</u>	<u>\$ 1,625</u>	<u>\$ -</u>	<u>\$ 1,235,353</u>

Town of Lake City
Management Discussion and Analysis
December 31, 2019

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

	Restated Balance 1/0/1900	Additions	Deletions	Transfers	Balance 1/0/1900
Business - Type Activities:					
Assets not being depreciated					
Land and Water Rights	\$ 76,697	\$ -	\$ -	\$ -	\$ 76,697
Construction in Progress	<u>59,212</u>	<u>475,460</u>	<u>-</u>	<u>-</u>	<u>534,672</u>
Total assets not being depreciated	<u>135,909</u>	<u>475,460</u>	<u>-</u>	<u>-</u>	<u>611,369</u>
Assets being depreciated					
Buildings and Improvements	56,153	-	-	-	56,153
Utility Plant and Systems	5,818,771	-	22,477	-	5,796,294
Equipment	<u>366,609</u>	<u>10,500</u>	<u>83,297</u>	<u>-</u>	<u>293,812</u>
Total assets being depreciated	<u>6,241,533</u>	<u>10,500</u>	<u>105,774</u>	<u>-</u>	<u>6,146,259</u>
Less: Accumulated depreciation					
Buildings and Improvements	(47,679)	(1,404)	-	-	(49,083)
Utility Plant and Systems	(2,102,635)	(137,858)	(22,477)	-	(2,218,016)
Equipment	<u>(283,148)</u>	<u>(6,651)</u>	<u>(83,297)</u>	<u>-</u>	<u>(206,502)</u>
Total accumulated depreciation	<u>(2,433,462)</u>	<u>(145,913)</u>	<u>(105,774)</u>	<u>-</u>	<u>(2,473,601)</u>
Net Capital Assets	<u>\$ 3,943,980</u>	<u>\$ 340,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,284,027</u>

Long-Term Debt

Governmental activity long-term debt consists of accrued compensated absences payable. The Town had no other governmental activity long-term debt outstanding as of December 31, 2019.

Governmental activities debt transactions for the year were as follows:

	Balance 1/0/1900	Advances (Net Chg)	Repayments (Net Chg)	Balance 1/0/1900
Governmental Activities				
Compensated Absences	<u>\$ 16,862</u>	<u>\$ -</u>	<u>\$ 8,430</u>	<u>\$ 8,432</u>

Town of Lake City
Management Discussion and Analysis
December 31, 2019

Business-type activities debt transactions for the year were as follows:

Business - Type Activities	Balance 1/0/1900	Advances (Net Chg)	Repayments (Net Chg)	Balance 1/0/1900	Current Portion	Interest Expense
2015 CWRPDA Note Payable	\$ 441,667	\$ -	\$ 16,667	\$ 425,000	\$ 16,667	\$ -
2019 CWRPDA Note Payable	-	900,000	-	900,000	15,271	-
Compensated Absences	3,877	3,539	-	7,416	-	-
Total Obligations	<u>\$ 445,544</u>	<u>\$ 903,539</u>	<u>\$ 16,667</u>	<u>\$ 1,332,416</u>	<u>\$ 31,938</u>	<u>\$ -</u>

General Fund Budget

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

Economic Factors and Future Budgets and Rates

Several changes are anticipated in coming years:

- The Town's net position is due to improve because of the significant investments the Town committed to make in 2019 and continued in 2020 to improve and replace old sewer lines and make needed sewer plant improvements.
- The Town has created a capital improvement plan and continues to set aside funds yearly to accomplish an ongoing capital replacement program for both Government and Enterprise fund capital assets. This program should help to avoid deferred maintenance issues the Town is now addressing.
- The Board of Trustees passed a balanced budget where expenditures do not exceed revenues in for fiscal year 2018, 2019 and 2020. This should continue to improve the Town's financial position.

Request for Information

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

Town Manager
PO Box 544
Lake City, CO 81235

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FINANCIAL SECTION

Mayberry & Company, LLC

Certified Public Accountants

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

Board of Trustees
Town of Lake City
Lake City, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake City, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Aggregate Remaining Fund Information	Unmodified
General Fund	Unmodified
Water and Sewer Fund	Qualified

Basis for Qualified Opinion on Business-Type Activities and the Water and Sewer Fund

The Town was not able to provide sufficient appropriate audit evidence supporting the \$49,344 of Water and Sewer Fund inventory presented as of December 31, 2019. The balance presented was adjusted to reflect a December 31, 2016 inventory that had been taken, but not previously provided or adjusted, however an updated inventory was not prepared as of December 31, 2019. The amount by which any change in this value would affect the assets, net position, and expenses of the business-type activities could not be determined.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Qualified Opinion on the Business-Type Activities and Water and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and Water and Sewer Fund of the Town of Lake City, Colorado, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Town of Lake City, Colorado, as of December 31, 2019, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town of Lake City's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 11 to the financial statements, the 2018 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

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

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M7 and pension schedules on pages 48 - 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on pages 52 -53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, the budgetary comparison schedules on pages 54 - 55 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 56 - 61 is presented for purposes of legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Englewood, Colorado
January 14, 2022

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the Town's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of all funds and activities as of December 31, 2019.

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TOWN OF LAKE CITY

**Statement of Net Position
December 31, 2019**

	Governmental Activities	Business- Type Activities	Total 2019
ASSETS			
Cash and Investments	\$ 785,630	\$ 854,182	\$ 1,639,812
Restricted Cash and Investments	-	1,008,084	1,008,084
Property Tax Receivable	66,000	-	66,000
Accounts Receivable	-	107,096	107,096
Intergovernmental Receivable	100,006	-	100,006
Inventory	-	49,344	49,344
Capital Assets not being depreciated	300,078	611,368	911,446
Capital Assets being depreciated - net	935,275	3,672,658	4,607,933
Note Receivable	-	20,583	20,583
TOTAL ASSETS	<u>2,186,989</u>	<u>6,323,315</u>	<u>8,510,304</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
Deferred Outflows - Pensions	130,646	142,144	272,790
Deferred Outflows - OPEB	2,606	9,195	11,801
TOTAL DEFERRED OUTFLOWS	<u>133,252</u>	<u>151,339</u>	<u>284,591</u>
LIABILITIES			
Accounts Payable	25,500	47,781	73,281
Accrued Payroll	5,194	6,570	11,764
Noncurrent Liabilities - Due within one year	-	31,938	31,938
Noncurrent Liabilities - Due in more than one year	308,721	1,632,375	1,941,096
TOTAL LIABILITIES	<u>339,415</u>	<u>1,718,664</u>	<u>2,058,079</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Inflows - Property Taxes	66,000	-	66,000
Deferred Inflows - Pensions	63,018	57,147	120,165
Deferred Inflows - OPEB	7,153	911	8,064
TOTAL DEFERRED INFLOWS	<u>136,171</u>	<u>58,058</u>	<u>194,229</u>
NET POSITION			
Net Investment in Capital Assets	1,235,353	3,527,129	4,762,482
Restricted			
for Emergencies	21,000	-	21,000
for Parks	19,278	-	19,278
for Operations and Maintenance Reserve	-	108,084	108,084
Unrestricted	569,024	1,062,720	1,631,744
TOTAL NET POSITION	<u>\$ 1,844,655</u>	<u>\$ 4,697,933</u>	<u>\$ 6,542,588</u>

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

TOWN OF LAKE CITY

Statement of Activities
For the Year Ended December 31, 2019

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ (170,891)	\$ 28,073	\$ 18,818	\$ -
Public Safety	(83,275)	969	-	-
Public Works	(59,034)	-	41,349	-
Parks and Recreation	(144,578)	25,133	8,015	6,819
Total Governmental Activities	(457,778)	54,175	68,182	6,819
Business-Type Activities:				
Water and Sewer Utility	(581,811)	594,062	-	191,132
Total Primary Government	\$ (1,039,589)	\$ 648,237	\$ 68,182	\$ 197,951

General Revenues
Taxes
Investment Earnings
Other Revenues
Total General Revenues
Change in Net Position
Net Position - Beginning
Prior Period Restatement
Net Position - Beginning (As Restated)
Net Position - Ending

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

Net (Expense) Revenue and

Change in Net Position

Governmental Activites	Business Type Activities	Total
\$ (124,000)	\$ -	\$ (124,000)
(82,306)	-	(82,306)
(17,685)	-	(17,685)
<u>(104,611)</u>	<u>-</u>	<u>(104,611)</u>
(328,602)	-	(328,602)
-	203,383	203,383
<u>(328,602)</u>	<u>203,383</u>	<u>(125,219)</u>
570,341		570,341
3,916	6,535	10,451
<u>6,129</u>	<u>2,338</u>	<u>8,467</u>
<u>580,386</u>	<u>8,873</u>	<u>589,259</u>
<u>251,784</u>	<u>212,256</u>	<u>464,040</u>
1,662,487	4,491,336	6,153,823
<u>(69,616)</u>	<u>(5,659)</u>	<u>(75,275)</u>
<u>1,592,871</u>	<u>4,485,677</u>	<u>6,078,548</u>
<u>\$ 1,844,655</u>	<u>\$ 4,697,933</u>	<u>\$ 6,542,588</u>

TOWN OF LAKE CITY

Balance Sheet

Governmental Funds

December 31, 2019

(With Comparative Totals for December 31, 2018)

	General Fund	Nonmajor	Total	
		Spec. Rev. Cons. Trust Fund	2019	2018
ASSETS				
Cash and Investments	\$ 766,352	\$ 19,278	\$ 785,630	\$ 620,596
Property Tax Receivable	66,000	-	66,000	67,033
Interfund Receivable	-	-	-	14,405
Intergovernmental Receivable	100,006	-	100,006	62,991
TOTAL ASSETS	932,358	19,278	951,636	765,025
LIABILITIES				
Accounts Payable	25,500	-	25,500	13,135
Accrued Payroll	5,194	-	5,194	6,917
TOTAL LIABILITIES	30,694	-	30,694	20,052
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Deferred Revenue	66,000	-	66,000	67,033
FUND BALANCE				
Restricted				
for Emergencies	21,000	-	21,000	18,000
for Parks	-	19,278	19,278	14,885
Unassigned	814,664	-	814,664	645,055
TOTAL FUND BALANCE	\$ 835,664	\$ 19,278	\$ 854,942	\$ 677,940

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

TOWN OF LAKE CITY

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2019**

Governmental Fund Balance		\$ 854,942	
Capital Assets are expensed when purchased at the fund level and capitalized and depreciated at the activity level			
Capital Assets not being depreciated	\$ 300,078		
Capital Assets being depreciated	1,595,553		
Accumulated Depreciation	<u>(660,278)</u>	1,235,353	
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds			
PERA Pension			
Net pension liability	(277,039)		
Net Deferred Pension Outflows	130,646		
Net Deferred Pension Inflows	<u>(63,018)</u>	(209,411)	
PERA Health Care Trust Fund (OPEB)			
Net Deferred Pension Outflows	2,606		
Net OPEB liability	(23,250)		
Net Deferred Pension Inflows	<u>(7,153)</u>	(27,797)	
Accrued leave is expensed when paid at the fund level and recorded as a liability when earned at the activity level			
Accrued Compensated Absences		<u>(8,432)</u>	
Governmental Activities Net Position		\$ <u>1,844,655</u>	

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

TOWN OF LAKE CITY

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2019

(With Comparative Totals for December 31, 2018)

	General Fund	Nonmajor	Total	
		Spec. Rev. Cons. Trust Fund	2019	2018
REVENUES				
Taxes	\$ 570,341	\$ -	\$ 570,341	\$ 483,745
Licenses, Permits and Fees	16,901	-	16,901	15,268
Intergovernmental Revenue	62,667	4,319	66,986	62,577
Charges for Goods and Services	36,305	-	36,305	20,862
Fines and Forfeits	969	-	969	3,934
Other Revenues	17,986	74	18,060	21,747
TOTAL REVENUES	705,169	4,393	709,562	608,133
EXPENDITURES				
Current:				
General Government	174,834	-	174,834	168,082
Public Safety	83,275	-	83,275	81,432
Public Works	67,514	-	67,514	71,129
Parks and Recreation	180,938	-	180,938	168,496
Capital Outlay	25,999	-	25,999	-
TOTAL EXPENDITURES	532,560	-	532,560	489,139
CHANGE IN FUND BALANCE	172,609	4,393	177,002	118,994
FUND BALANCE, BEGINNING	663,055	14,885	677,940	558,946
FUND BALANCE, ENDING	\$ 835,664	\$ 19,278	\$ 854,942	\$ 677,940

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

TOWN OF LAKE CITY

**Reconciliation of the Statement of Revenues, Expenditures and Change
in Fund Balance - Governmental Funds to the Statement of Activities
December 31, 2019**

Governmental Change in Fund Balance		\$ 177,002	
Capital Assets are expensed when purchased at the fund level and capitalized and depreciated at the activity level			
Capital asset additions	\$ 25,999		
Depreciation expense	(55,785)		
Loss on capital assets	<u>(1,625)</u>	(31,411)	
Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.			
Pension Liability			
Change in deferred pension outflows	\$ 57,422		
Change in net pension liability	(35,548)		
Change in deferred pension inflows	<u>74,775</u>	96,649	
OPEB Liability			
Change in deferred pension outflows	1,028		
Change in net OPEB liability	(1,347)		
Change in deferred pension inflows	<u>1,433</u>	1,114	
Accrued leave is expensed when paid at the fund level and recorded as a liability when earned at the activity level			
Change in accrued compensated absences		<u>8,430</u>	
Governmental Activities Net Position		<u>\$ 251,784</u>	

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

TOWN OF LAKE CITY

Statement of Net Position
Proprietary Fund
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	<u>Water and Sewer Fund</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 854,182	\$ 850,052
Restricted Cash and Investments	1,008,084	174,286
Accounts Receivable	107,096	100,252
Interfund Receivable	-	(14,405)
Intergovernmental Receivable	-	113,878
Inventory	49,344	63,054
Total Current Assets	<u>2,018,706</u>	<u>1,287,117</u>
Noncurrent Assets		
Capital Assets not being depreciated		
Land	76,697	76,697
Construction in Progress	534,671	59,212
Capital Assets being depreciated		
Buildings and Improvements	56,153	56,153
Utility Plant and System	5,796,294	5,818,771
Equipment	293,812	351,821
Accumulated Depreciation	(2,473,601)	(2,433,461)
Note Receivable	20,583	29,531
Net Noncurrent Assets	<u>4,304,609</u>	<u>3,958,724</u>
TOTAL ASSETS	<u>6,323,315</u>	<u>5,245,841</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Deferred Outflows - Pensions	142,144	75,682
Deferred Outflows - OPEB	9,195	2,449
TOTAL DEFERRED OUTFLOWS	<u>151,339</u>	<u>78,131</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	47,781	19,621
Accrued Payroll	6,570	6,878
Total Current Liabilities	<u>54,351</u>	<u>26,499</u>
Noncurrent Liabilities		
Noncurrent Liabilities - Due within one year	31,938	16,667
Noncurrent Liabilities - Due in more than one year	1,632,375	713,080
Total Noncurrent Liabilities	<u>1,664,313</u>	<u>729,747</u>
TOTAL LIABILITIES	<u>1,718,664</u>	<u>756,246</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Deferred Inflows - Pensions	57,147	75,990
Deferred Inflows - OPEB	911	400
TOTAL DEFERRED INFLOWS	<u>58,058</u>	<u>76,390</u>
NET POSITION		
Net Investment in Capital Assets	3,527,129	3,254,933
Restricted Net Position	108,084	122,676
Unrestricted Net Position	1,062,720	1,113,727
TOTAL NET POSITION	<u>\$ 4,697,933</u>	<u>\$ 4,491,336</u>

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

TOWN OF LAKE CITY

**Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)**

	Water and Sewer Fund	
	2019	2018
Operating Revenues		
Water Charges	\$ 329,194	\$ 351,718
Sewer Charges	261,971	269,892
Other Charges for Goods and Services	2,897	6,518
Total Operating Revenues	<u>594,062</u>	<u>628,128</u>
Operating Expenses		
Water Wells	61,398	56,033
Water Distribution	34,273	100,413
Sewer Collection	20,835	21,132
Sewer Treatment	46,655	48,827
Utility Administration	232,331	230,504
Overhead Charges	40,406	-
Depreciation	145,913	134,550
Total Operating Expenses	<u>581,811</u>	<u>591,459</u>
Operating Income (Loss)	<u>12,251</u>	<u>36,669</u>
Other Revenues (Expenses)		
Investment Earnings	6,535	5,947
Miscellaneous Revenue	2,338	111
Net Other Revenues (Expenses)	<u>8,873</u>	<u>6,058</u>
Net Income	21,124	42,727
Capital Contributions		
Grant and Loan Forgiveness	165,382	351,614
Connection Charges	25,750	43,750
Change in Net Position	<u>212,256</u>	<u>438,091</u>
Net Position - Beginning	4,491,336	4,053,245
Prior Period Restatement	(5,659)	-
Net Position - Beginning (Restated)	<u>4,485,677</u>	<u>4,053,245</u>
Net Position - Ending	<u>\$ 4,697,933</u>	<u>\$ 4,491,336</u>

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

TOWN OF LAKE CITY

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended December 31, 2019
 (With Comparative Totals for December 31, 2018)

	Water and Sewer Fund	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from customers	\$ 584,447	\$ 597,913
Cash paid to suppliers	(185,812)	(200,686)
Cash paid to/for benefit of employees	(206,643)	(206,871)
Net Cash Provided (Used) by Operating Activities	<u>191,992</u>	<u>190,356</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Receipts	<u>2,338</u>	<u>111</u>
CASH FLOWS FROM CAPTAL FINANCING ACTIVITIES		
Acquisition of Capital Assets	(485,960)	(614,651)
Debt Principal Payments	(16,667)	(16,667)
Debt Proceeds	900,000	-
Return of Loan Proceeds/Loan Forgiveness	(51,610)	-
Grant Proceeds	279,260	295,402
Capital contributions	25,750	43,750
Net Cash Used by Capital Financing Activities	<u>650,773</u>	<u>(292,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>6,535</u>	<u>5,947</u>
Net Increase (Decrease) in Cash and Equivalents	851,638	(95,752)
Cash and Equivalents, Beginning	<u>1,024,338</u>	<u>1,120,090</u>
Cash and Equivalents, Ending	<u>\$ 1,875,976</u>	<u>\$ 1,024,338</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 12,251	\$ 36,669
Adjustments required to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	145,913	134,550
(Increase) Decrease in:		
Accounts Receivable	(6,844)	(683)
Interfund Receivable	(14,405)	-
Note Receivable	11,634	(29,532)
Pension Related Deferred Outflows	(24,632)	70,068
OPEB Related Deferred Outflows	83	(943)
Increase (Decrease) in:		
Accounts Payable	28,160	(16,703)
Accrued Payroll	(308)	1,259
Accrued Compensated Absences	3,539	1,302
Net Pension Liability	45,630	(70,948)
Net OPEB Liability	2,064	(802)
Pension Related Deferred Inflows	(24,603)	65,719
OPEB Related Deferred Inflows	(200)	400
Net Reconciliation Adjustments	<u>179,741</u>	<u>153,687</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 191,992</u>	<u>\$ 190,356</u>

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. For the 2019 fiscal year, the Town did not have any fiduciary activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

The Town also reports the following major proprietary fund:

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

Budgets

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

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

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

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents

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

Property Taxes

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

Inventory

Inventories are valued at cost, using the first-in, first-out (FIFO) method. During the fiscal year, the Town was able to locate an inventory taken as of December 31, 2016 that had not previously been provided, but did not have a more current inventory available. The Town has restated the inventory in the Water and Sewer Fund to reflect the most current available balance.

Property, Plant and Equipment

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Town are allowed to accumulate unused annual leave (vacation) and, time depending on length of employment. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation time at their current rate of pay, and for all accrued sick time equal to one quarter of their current rate of pay. Employees may accumulate up to two years annual leave and up to 720 hours of sick leave. Upon accumulation of 288 sick hours, an employee may convert excess sick leave into a cash payment at the equivalent of one quarter the current pay rate. Employees may also convert sick leave to annual leave in a two to one ratio. This conversion opportunity is allowed in July of each year. For the year ended December 31, 2019, amounts presented as accumulated compensated absences report sick leave at the maximum payout in cash.

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

Deferred Outflow and Inflows of Resources

Deferred outflows/inflows of resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one type of activity that qualifies for reporting in this category. All items reported as deferred outflows are related to the Town's pension and OPEB activities as further described in Note 5 and Note 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows for property taxes milled in 2019 to be collected in 2020. This deferral is reported both at the governmental activity and governmental fund level. The Town also reports deferred inflows related to pension and OPEB obligations as further described in Note 5 and Note 6.

Net Position/Fund Balance

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance (Continued)

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

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

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

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

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

Net Position/Fund Balance Flow Assumptions

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments follows:

Cash and Investments	\$ 1,639,812
Restricted Cash and Investments	<u>1,008,084</u>
Total Cash and Investments	<u>\$ 2,647,896</u>

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

Cash	\$ 1,541,819
Investments	<u>1,106,077</u>
Total Cash and Investments	<u>\$ 2,647,896</u>

Deposits

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

	<u>Bank</u>	<u>Book</u>
	<u>Balance</u>	<u>Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Secured (Not in Entity's Name)	1,288,285	1,291,463
Petty Cash	<u>-</u>	<u>356</u>
Total Cash	<u>\$ 1,538,285</u>	<u>\$ 1,541,819</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The Town’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, all of the Town’s deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The Town's investments are comprised of the following:

	<u>Fair Value</u>
Local Government Pool	\$ 206,077
CWRPDA Loan Escrow	<u>900,000</u>
Total Investments	<u>\$ 1,106,077</u>

Credit Risk

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

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

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

During the year ended December 31, 2019, the Town invested funds in Colotrust. As investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The pool invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor's Corporation.

Interest Rate Risk

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

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer. The Town's sole investment is in Colotrust. In addition, certain investments are held by a lender for capital needs. These investments cannot be classified as the holdings are unknown.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk – Investments

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

Restricted Cash and Investments

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

Restricted Loan Proceeds	\$ 900,000
Restricted O & M Reserve	<u>108,084</u>
Total Restricted Cash & Investments	<u>\$ 1,008,084</u>

NOTE 3: CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/2019</u>
Governmental Activities:					
Assets not being depreciated					
Land	\$ 284,078	\$ -	\$ -	\$ -	\$ 284,078
Construction in Progress	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Total assets not being depreciated	<u>284,078</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>300,078</u>
Assets being depreciated					
Buildings and Improvements	1,461,950	-	-	-	1,461,950
Machinery and Equipment	<u>184,551</u>	<u>9,999</u>	<u>60,947</u>	<u>-</u>	<u>133,603</u>
Total assets being depreciated	<u>1,646,501</u>	<u>9,999</u>	<u>60,947</u>	<u>-</u>	<u>1,595,553</u>
Less: Accumulated depreciation					
Buildings and Improvements	(494,129)	(51,174)	-	-	(545,303)
Machinery and Equipment	<u>(169,686)</u>	<u>(4,611)</u>	<u>(59,322)</u>	<u>-</u>	<u>(114,975)</u>
Total accumulated depreciation	<u>(663,815)</u>	<u>(55,785)</u>	<u>(59,322)</u>	<u>-</u>	<u>(660,278)</u>
Net Capital Assets	<u>\$ 1,266,764</u>	<u>\$ (29,786)</u>	<u>\$ 1,625</u>	<u>\$ -</u>	<u>\$ 1,235,353</u>

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3: CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	\$ 34,146
Public Works	5,207
Parks and Recreation	<u>16,432</u>
Total Depreciation Allocation	<u>\$ 55,785</u>

The following schedule presents business-type activities capital assets at December 31, 2019:

	Restated Balance 1/1/2019	Additions	Deletions	Transfers	Balance 12/31/2019
Business - Type Activities:					
Assets not being depreciated					
Land and Water Rights	\$ 76,697	\$ -	\$ -	\$ -	\$ 76,697
Construction in Progress	<u>59,212</u>	<u>475,460</u>	<u>-</u>	<u>-</u>	<u>534,672</u>
Total assets not being depreciated	<u>135,909</u>	<u>475,460</u>	<u>-</u>	<u>-</u>	<u>611,369</u>
Assets being depreciated					
Buildings and Improvements	56,153	-	-	-	56,153
Utility Plant and Systems	5,818,771	-	22,477	-	5,796,294
Equipment	<u>366,609</u>	<u>10,500</u>	<u>83,297</u>	<u>-</u>	<u>293,812</u>
Total assets being depreciated	<u>6,241,533</u>	<u>10,500</u>	<u>105,774</u>	<u>-</u>	<u>6,146,259</u>
Less: Accumulated depreciation					
Buildings and Improvements	(47,679)	(1,404)	-	-	(49,083)
Utility Plant and Systems	(2,102,635)	(137,858)	(22,477)	-	(2,218,016)
Equipment	<u>(283,148)</u>	<u>(6,651)</u>	<u>(83,297)</u>	<u>-</u>	<u>(206,502)</u>
Total accumulated depreciation	<u>(2,433,462)</u>	<u>(145,913)</u>	<u>(105,774)</u>	<u>-</u>	<u>(2,473,601)</u>
Net Capital Assets	<u>\$ 3,943,980</u>	<u>\$ 340,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,284,027</u>

The beginning business-type activity equipment balance was restated by \$14,287 to reflect the acquisition equipment during fiscal year 2018 that had inadvertently not been capitalized.

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

Business-Type Activities:	
Water Utility	\$ 113,602
Sewer Utility	29,006
Joint Utility	<u>3,305</u>
Total Depreciation Allocation	<u>\$ 145,913</u>

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4: NONCURRENT OBLIGATIONS

Changes in noncurrent obligations are as follows:

	<u>Balance</u> <u>1/1/2019</u>	<u>Advances</u> <u>(Net Chg)</u>	<u>Repayments</u> <u>(Net Chg)</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Current</u> <u>Portion</u>	<u>Interest</u> <u>Expense</u>
Governmental Activities						
Compensated Absences	\$ 16,862	\$ -	\$ 8,430	\$ 8,432	\$ -	\$ -
Business - Type Activities						
2015 CWRPDA Note Payable	\$ 441,667	\$ -	\$ 16,667	\$ 425,000	\$ 16,667	\$ -
2019 CWRPDA Note Payable	-	900,000	-	900,000	15,271	-
Compensated Absences	3,877	3,539	-	7,416	-	-
Total Obligations	\$ 445,544	\$ 903,539	\$ 16,667	\$ 1,332,416	\$ 31,938	\$ -

2015 CWRPDA Note Payable

In July 2015, the Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority (CWRPDA) in the amount of \$500,000 to be used towards water system improvements. The loan is federally subsidized and bears no interest. Principal payments of \$8,333 are due semiannually beginning in November 2015 for a period of 30 years.

The note contains restrictive covenants related to rates, a pledge of water and sewer revenues and the requirement establishing a three-month operations and maintenance reserve. The Town has established a reserve of \$108,083 and has restricted net position in the Water and Sewer Fund, accordingly.

2016 CWRPDA Note Payable

In October 2016, the Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority (CWRPDA) in the amount of \$70,000 to be used towards water system design and engineering. As of December 31, 2018, the Town had drawn \$18,390 of the loan and had the balance still held in escrow by CWRDPA. The balance of the 2016 CWRPDA design and engineering loan was forgiven by the CWRPDA upon issuance. During the fiscal year 2019 audit, it was determined that the Town had issued correspondence to CWRPDA in November 2018 notifying the Authority that the remaining funds were no longer needed and would not be requested. The Town has recorded a prior period restatement reducing beginning net position in the Water and Sewer Fund to reflect the \$51,610 reduction of the loan proceeds held in escrow as of December 31, 2018, with an offsetting reduction of the amount previously recognized loan forgiveness.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4: NONCURRENT OBLIGATIONS (Continued)

2019 CWRPDA Note Payable

In March 2019, the Town entered into a loan agreement with the Colorado Water Resource and Power Development Authority (CWRPDA) in the amount of \$900,000 to be used towards sewer collection system improvements. The loan bears interest at 1%. Normal principal payments of \$17,610 are due semiannually beginning in November 2020 through November 2049. The first payment during construction is for \$2,900 due May 2020. The November 2020 and May 2021 payments were made as scheduled. The Town had not drawn any of this loan as of December 31, 2019 with the full \$900,000 included in Restricted Loan Escrow Proceeds as presented in Note 2.

Effective July 2021, the Town determined that \$157,106 of the loan was no longer required and was returned to CWRPDA. CWRPDA issued an updated loan amortization schedule for the revised amount of \$742,894. The new amortization still requires semi-annual loan payments through November 2049 with the first loan payment being \$14,436 in November 2021 and the remaining payments being \$14,443.

Similar to the 2015 agreement, the note contains restrictive covenants related to rates, a pledge of water and sewer revenues and the requirement establishing a three-month operations and maintenance reserve. The Town has established a reserve of \$108,083 and has restricted net position in the Water and Sewer Fund, accordingly.

Principal and interest payments mature as follows for the 2015 and 2019 loans:

Fiscal Year	2015		2019	
	Principal	Principal	Interest	Total
2020	\$ 16,667	\$ 15,271	\$ 5,239	\$ 20,510
2021	16,667	23,697	8,349	32,046
2022	16,667	21,902	6,985	28,887
2023	16,667	22,121	6,765	28,886
2024	16,667	22,343	6,543	28,886
2025-2029	83,333	115,120	29,312	144,432
2030-2034	83,333	121,007	23,424	144,431
2035-2039	83,333	127,195	17,236	144,431
2040-2044	83,333	133,700	10,731	144,431
2045-2049	8,333	140,538	3,893	144,431
Total	\$ 425,000	\$ 742,894	\$ 118,477	\$ 861,371

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT - PERA

General Information about the Pension Plan

Plan description. Eligible employees of the Town are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports. The amounts presented for the year ended December 31, 2019 are based on the December 31, 2018 measurement date reports provided by PERA and therefore represent contributions reported for the 2018 fiscal year.

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: EMPLOYEE BENEFIT PLANS (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan (Continued)

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2019: Eligible employees and the Town are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of January 1, 2019 through December 31, 2019. The employer contribution requirements during the period of January 1, 2018 through December 31, 2019 are summarized in the table below:

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

General Information about the Pension Plan (Continued)

	January 1, 2018 through December 31, 2019
Employer contribution rate	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%
Amount apportioned to the LGDTF	8.98%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%
Total employer contribution rate to the LGDTF	12.68%

Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

General Information about the Pension Plan

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Town were \$38,582 for the measurement year ended December 31, 2018.

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

At December 31, 2019, the Town reported a liability of \$583,238 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Town proportion of the net pension liability was based on the Town contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the Town proportion was 0.046391 percent, which was an increase of 0.0013 from its proportion measured as of December 31, 2017.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

For the year ended December 31, 2019, the Town recognized pension expense of \$90,054. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 24,280	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 188,227	\$ (108,557)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 11,969	\$ (1,552)
Contributions subsequent to the measurement date	\$ 38,258	\$ -
Total	\$ 262,734	\$ (110,109)

\$38,258 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Fiscal year Total
2020	\$ 51,976
2021	14,503
2022	6,023
2023	41,865
Total	\$ 114,367

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50-10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Town proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension asset (liability)	\$ (892,233)	\$ (583,238)	\$ (324,732)

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

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

Pension plan fiduciary net position. Detailed information about the LGDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Internal Allocations

The Town’s internal allocation of the PERA net pension liability and related deferred outflows and inflows of resources is determined by the underlying payroll amounts. The allocation of the payroll for across operating funds and activities was as follows:

	Governmental	Water/Sewer	Total
	Activities	Fund	All Funds
12/31/2013 Allocation	44.00%	56.00%	100.00%
12/31/2014 Allocation	46.20%	53.80%	100.00%
12/31/2015 Allocation	67.50%	32.50%	100.00%
12/31/2016 Allocation	67.30%	32.70%	100.00%
12/31/2017 Allocation	48.10%	51.90%	100.00%
12/31/2018 Allocation	47.50%	52.50%	100.00%
12/31/2019 Allocation	47.40%	52.60%	100.00%

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PENSION OBLIGATIONS (Continued)

DEFINED BENEFIT – PERA (Continued)

Internal Allocations (Continued)

Accordingly, the Town is required to allocate the net pension liability based on those amounts which creates a change in internal proportion that is reflected as either a deferred outflow or inflow in the respective activity and fund. The internal proportion allocations are based on the payroll paid during the given measurement year. Therefore, the payroll allocation for December 31, 2019 is utilized for the presentation of the Deferred Outflow Contribution Timing Difference. All other current year allocations are based on the fiscal year 2018 payroll split as those amounts correspond with the December 31, 2018 measurement date presented in the current year audit. The change in proportion is amortized and will be reflected as an adjustment to the activity or funds pension expense as follows:

	<u>Governmental</u>		<u>Water & Sewer</u>
	Activities		Fund
2020	\$ (9,419)	\$	9,419
2021	(636)		636

Restatements

As part of the 2019 audit process, prior year pension amounts were fully recalculated from inception. This was primarily due to the determination that external proportion changes were previously computed based on only the net pension liability instead of the pension liability and related deferrals. It was also determined that the proportions used for prior year internal activity and fund level calculations had incorrectly shifted from measurement period (prior year) to the payroll allocation for the given fiscal year. Combined, these resulted in both overall and activity and fund level allocation differences. This resulted in a decrease in beginning governmental activity net position of \$(60,732) and an increase in business-type activity and Water and Sewer Fund net position of \$36,071.

Defined Contribution Pension Plans

Voluntary Investment Program

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. The Town participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Town are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Town were \$1,815 for the year ended December 31, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Town reported a liability of \$48,947 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Town proportion of the net OPEB liability was based on the Town contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Town proportion was 0.0036 percent, which was an increase of .000093 from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$3,929. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 173	\$ (74)
Net difference between projected and actual earnings on pension plan investments	\$ 868	\$ (571)
Changes of assumptions or other inputs	\$ 343	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 1,030	\$ (1,110)
Contributions subsequent to the measurement date	\$ 3,078	\$ -
Total	\$ 5,492	\$ (1,755)

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

\$3,078 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	Fiscal Year Totals
2020	\$ 55
2021	55
2022	55
2023	246
2024	237
2025	11
Total	\$ 659

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates (PERA benefit structure):	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25 % for 2018, gradually rising to 5.00% in 2025

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

Sensitivity of the Town proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Proportionate share of the net OPEB asset (liability)	\$ (47,596)	\$ (48,947)	\$ (50,502)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Town proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (54,768)	\$ (48,947)	\$ (43,971)

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Internal Allocations

The Town’s internal allocation of the net OPEB liability and related deferred outflows and inflows of resources is determined by the underlying payroll amounts. The allocation of the payroll by activity and fund was as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Water & Sewer</u> <u>Fund</u>	<u>Total</u> <u>All Funds</u>
12/31/2016 Allocation	67.30%	32.70%	100.00%
12/31/2017 Allocation	48.10%	51.90%	100.00%
12/31/2018 Allocation	47.50%	52.50%	100.00%
12/31/2019 Allocation	47.40%	52.60%	100.00%

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

	<u>Governmental</u> <u>Activities</u>	<u>Water & Sewer</u> <u>Fund</u>
2020	\$ (1,532)	\$ 1,532
2021	(1,532)	1,532
2022	(1,532)	1,532
2023	(1,532)	1,532
2024	(181)	181

Restatements

As part of the 2019 audit process, prior year OPEB amounts were fully recalculated from inception. This was primarily due to the determination that external proportion changes were previously computed based on only the net pension liability instead of the pension liability and related deferrals. It was also determined that the proportions used for prior year internal activity and fund level calculations had incorrectly shifted from measurement period (prior year) to the payroll allocation for the given fiscal year. Combined, these resulted in both overall and activity and fund level allocation differences. This resulted in a decrease in beginning governmental activity net position of \$(8,884) and an increase in business-type activity and Water and Sewer Fund net position of \$6,117.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases sufficient commercial insurance to cover losses from these events, and does not self-insure or participate in a public entity risk pool. All risk management activities are allocated among the various funds according to actual or perceived risk as determined by management and the Board of Trustees. Settlement amounts have not exceeded insurance coverage for the three prior years. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but which not have been reported, are considered. There are no outstanding claims or incurred but not reported liabilities (IBNR) for the year ended December 31, 2019.

NOTE 8: COMMITMENTS AND CONTIGENCIES

TABOR Amendment

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

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

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2019, the emergency reserve of \$21,000 was recorded in the General Fund.

Other Contingencies

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

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9: RATE MAINTENANCE CALCULATION

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

The computation of said rate maintenance is as follows:

	Water & Sewer Fund
Gross operating revenue	\$ 594,062
Other revenue	<u>8,873</u>
Total revenue	<u>602,935</u>
Operations and maintenance expense	581,811
Less: Depreciation	<u>(145,913)</u>
Adjusted O&M	<u>435,898</u>
Net revenue	<u>167,037</u>
Total debt service	
CWRPDA Loans	16,667
Required rate	<u>110%</u>
Net revenue required	<u>18,334</u>
Excess (deficit)	<u>\$ 148,703</u>

NOTE 10: NOTE RECEIVABLE

In August 2018 the Town entered into a non-interest-bearing note receivable with Pleasant View Resort and Rocky Mountain Jeep in the amount of \$32,216. The note was issued for the purchase of water taps and water meters to be paid in 36 equal monthly payments with final payment to be made no later than September 1, 2021. As of December 31, 2019, the outstanding balance of the note was \$20,583. In addition, the Town has two scheduled payments totaling \$1,790 that have been billed but not paid that were included in the customer accounts receivable balance at year end.

For the year ended December 31, 2018, the Town had recorded three payments against the note leaving a remaining balance of \$29,532. Upon additional review during 2021, it was determined that these payments had not actually been received and the balance of the note receivable should have been the issuance amount. The Town has, accordingly, increased beginning net position in the Water and Sewer Fund by \$2,684 for this correction.

TOWN OF LAKE CITY, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11: PRIOR PERIOD RESTATEMENTS

The Town has incorporated various restatements related to misstatements of December 31, 2018 balances identified as part of the fiscal year 2019 audit process. These restatements include \$14,287 of equipment that should have been capitalized in the Water and Sewer Fund for 2018. An additional \$51,610 restatement in the Water and Sewer Fund for the return/release of undrawn CWPRDA loan proceeds that was initiated during 2018 as further described in Note 4. The Town was able to locate a Water and Sewer Fund supply inventory that was taken as of December 31, 2016 that had not previously been provided, adjusting the inventory carrying value by \$(13,710). In addition, restatements were required and the activity and fund level related to external and internal proportion changes for the PERA pension and OPEB liabilities as further described in Notes 5 and 6. Finally, the Town’s Water and Sewer Fund note receivable balance was incorrectly reported as further described in Note 10. A summary of these restatements is presented below:

	Governmental	Bus Type Activities
	Activities	Wtr & Swr Fund
Net Pension Deferred Outflows/Inflows	\$ (60,732)	\$ 36,071
Net OPEB Deferred Outflows/inflows	(8,884)	6,117
CWRPDA Loan Escrow	-	(51,610)
Loan Receivable Payments	-	2,685
Supply Inventory	-	(13,710)
Capitalized Equipment	-	14,787
Net Restatement	(69,616)	(5,660)
Beginning Net Position	<u>1,662,487</u>	<u>4,491,336</u>
Restated Beginning Net Position	<u>\$ 1,592,871</u>	<u>\$ 4,485,676</u>

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REQUIRED SUPPLEMENTARY INFORMATION
(Pension Schedules Unaudited)

TOWN OF LAKE CITY

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

<u>Fiscal Year</u>	Town's proportion of the net pension asset (liability)	Town's proportionate share of the net pension asset (liability)	Town's covered payroll	Town's proportionate share of the net pension asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2019	0.046391%	\$ (583,238)	\$ 304,278	191.68%	75.96%
12/31/2018	0.045091%	\$ (502,061)	\$ 284,456	176.50%	79.37%
12/31/2017	0.047304%	\$ (638,763)	\$ 286,720	222.78%	73.65%
12/31/2016	0.047662%	\$ (525,038)	\$ 270,686	193.97%	76.87%
12/31/2015	0.047256%	\$ (423,559)	\$ 258,943	163.57%	80.72%
12/31/2014	0.046810%	\$ (385,207)	\$ 249,732	154.25%	81.00%

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

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

See the accompanying Independent Auditors' Report.

TOWN OF LAKE CITY

SCHEDULE OF TOWN CONTRIBUTIONS

**PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Town's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
12/31/2019	\$ 38,582	\$ 38,582	\$ -	\$ 304,278	12.68%
12/31/2018	\$ 36,069	\$ 36,069	\$ -	\$ 284,456	12.68%
12/31/2017	\$ 36,356	\$ 36,356	\$ -	\$ 286,720	12.68%
12/31/2016	\$ 34,323	\$ 34,323	\$ -	\$ 270,686	12.68%
12/31/2015	\$ 32,834	\$ 32,834	\$ -	\$ 258,943	12.68%
12/31/2014	\$ 31,666	\$ 31,666	\$ -	\$ 249,732	12.68%

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

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

See the accompanying Independent Auditors' Report.

TOWN OF LAKE CITY

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years⁽¹⁾**

<u>Fiscal Year</u>	<u>Town's proportion of the net OPEB asset (liability)</u>	<u>Town's proportionate share of the net OPEB asset (liability)</u>	<u>Town's covered payroll</u>	<u>Town's proportionate share of the net OPEB asset (liability) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
12/31/2019	0.0035976%	\$ (48,947)	\$ 304,276	16.09%	17.03%
12/31/2018	0.0035038%	\$ (45,536)	\$ 284,456	16.01%	17.53%
12/31/2017	0.0036312%	\$ (47,070)	\$ 286,721	16.42%	16.70%

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

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

See the accompanying Independent Auditors' Report.

TOWN OF LAKE CITY

SCHEDULE OF TOWN CONTRIBUTIONS

PERA Health Care Trust Fund

Last 10 Fiscal Years⁽¹⁾

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Town's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
12/31/2019	\$ 3,104	\$ 3,104	\$ -	\$ 304,276	1.02%
12/31/2018	\$ 2,901	\$ 2,901	\$ -	\$ 284,456	1.02%
12/31/2017	\$ 2,925	\$ 2,925	\$ -	\$ 286,721	1.02%

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

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

See the accompanying Independent Auditors' Report.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LAKE CITY

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2019

(With Comparative Totals for December 31, 2018)

	2019			2018 Actual
	Original & Final Budget	Actual	Var with Fin Bud Pos / (Neg)	
REVENUES				
Taxes				
Property and Sales Taxes	\$ 66,000	\$ 66,512	\$ 512	\$ 65,722
Specific Ownership Taxes	4,500	5,655	1,155	5,815
Sales Taxes	310,000	419,209	109,209	373,554
Use Taxes	34,000	34,534	534	33,836
Franchise Taxes	-	44,016	44,016	4,470
Other Tax Collections	600	415	(185)	349
Total Taxes	415,100	570,341	155,241	483,746
Licenses, Permits and Fees				
Building Permits	11,000	12,575	1,575	8,911
Liquor Licenses	2,200	2,551	351	2,451
Other Licenses, Permits and Fees	2,000	1,775	(225)	3,906
Total Licenses, Permits and Fees	15,200	16,901	1,701	15,268
Intergovernmental Revenue				
Cigarette Taxes	800	1,193	393	994
Mineral & Severance Taxes	5,000	17,625	12,625	8,818
Highway Users Tax	32,500	39,230	6,730	39,062
Road & Bridge Tax	2,700	1,305	(1,395)	2,757
Motor Vehicle Clerk Fees	2,500	814	(1,686)	-
Other Intergovernmental Revenue	-	2,500	2,500	7,220
Total Intergovernmental Revenue	43,500	62,667	19,167	58,851
Charges for Goods and Services				
Recreation Fees	9,000	10,964	1,964	9,264
Ski Hill Fees	6,000	14,169	8,169	2,537
Rents	8,000	11,166	3,166	9,054
Other Charges for Goods and Services	10	6	(4)	7
Total Charges for Goods and Services	23,010	36,305	13,295	20,862
Fines and Forfeits				
	2,000	969	(1,031)	3,934
Other Revenues				
Investment Earnings	1,000	3,842	2,842	2,305
Donations	-	8,015	8,015	6,692
Miscellaneous Revenue	-	6,129	6,129	12,713
Total Other Revenues	1,000	17,986	16,986	21,710
TOTAL REVENUES	499,810	705,169	205,359	604,371

(Continued)

See the accompanying Independent Auditors' Report

TOWN OF LAKE CITY

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)**

	2019			
	Original & Final Budget	Actual	Var with Fin Bud Pos / (Neg)	2018 Actual
(Continued)				
EXPENDITURES				
General Government				
Board of Trustees and Mayor	17,481	16,165	1,316	21,173
Town Administration	68,078	55,787	12,291	64,639
Town Hall Operation	71,936	130,530	(58,594)	77,442
Municipal Court	2,342	764	1,578	960
Elections	5,500	4,355	1,145	3,390
Town Clerk	-	-	-	(546)
Historic Preservation	1,500	5,232	(3,732)	1,024
Overhead Recovery	(38,000)	(38,000)	-	-
Total General Government	<u>128,837</u>	<u>174,833</u>	<u>(45,996)</u>	<u>168,082</u>
Public Safety				
Police Administration	63,275	63,275	-	60,090
Building Inspections	20,000	20,000	-	21,342
Total Public Safety	<u>83,275</u>	<u>83,275</u>	<u>-</u>	<u>81,432</u>
Public Works				
Streets and Alleys	74,708	67,514	7,194	71,129
Culture & Recreation				
Recreation	109,114	100,625	8,489	93,127
Ski Hill	17,265	19,784	(2,519)	7,233
Round Top/Cable TV	3,000	1,450	1,550	1,227
Community Facilities and Parks	58,100	59,081	(981)	66,909
Total Culture and Recreation	<u>187,479</u>	<u>180,940</u>	<u>6,539</u>	<u>168,496</u>
Capital Outlay	<u>20,000</u>	<u>25,999</u>	<u>(5,999)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>494,299</u>	<u>532,561</u>	<u>(38,262)</u>	<u>489,139</u>
CHANGE IN FUND BALANCE	5,511	172,608	167,097	115,232
FUND BALANCE, BEGINNING	<u>400,000</u>	<u>663,056</u>	<u>263,056</u>	<u>547,824</u>
FUND BALANCE, ENDING	<u>\$ 405,511</u>	<u>\$ 835,664</u>	<u>\$ 430,153</u>	<u>\$ 663,056</u>

See the accompanying Independent Auditors' Report

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OTHER SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUND

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

The following is the Special Revenue Fund for the Town:

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

TOWN OF LAKE CITY

Budgetary Comparison Schedule

Conservation Trust Fund

For the Year Ended December 31, 2019

(With Comparative Totals for December 31, 2018)

	2019			2018 Actual
	Original & Final Budget	Actual	Var with Fin Bud Pos / (Neg)	
REVENUES				
Intergovernmental Revenue				
Conservation Trust Proceeds	\$ 3,500	\$ 4,319	\$ 819	\$ 3,726
Other Revenues				
Investment Earnings	100	74	(26)	37
TOTAL REVENUES	<u>3,600</u>	<u>4,393</u>	<u>793</u>	<u>3,763</u>
EXPENDITURES				
Culture & Recreation				
Parks	12,000	-	12,000	-
CHANGE IN FUND BALANCE	(8,400)	4,393	12,793	3,763
FUND BALANCE, BEGINNING	<u>14,739</u>	<u>14,885</u>	<u>146</u>	<u>11,122</u>
FUND BALANCE, ENDING	<u>\$ 6,339</u>	<u>\$ 19,278</u>	<u>\$ 12,939</u>	<u>\$ 14,885</u>

See the accompanying Independent Auditors' Report

ENTERPRISE FUNDS

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

The Town has the following Enterprise Fund:

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

TOWN OF LAKE CITY

Schedule of Revenues, Expenditures and Change
in Net Position - Budget and Actual
Water and Sewer Fund
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019			2018 Actual
	Original & Final Budget	Actual	Var with Fin Bud Pos / (Neg)	
Operating Revenues				
Water Charges	\$ 324,800	\$ 329,194	\$ 4,394	\$ 351,718
Sewer Charges	253,750	261,971	8,221	269,892
Other Charges for Goods and Services	1,300	2,897	1,597	6,518
Total Operating Revenues	<u>579,850</u>	<u>594,062</u>	<u>14,212</u>	<u>628,128</u>
Operating Expenses				
Water Wells	58,771	61,398	(2,627)	56,033
Water Distribution	17,000	28,529	(11,529)	100,413
Sewer Collection	21,000	20,835	165	21,132
Sewer Treatment	49,100	46,655	2,445	48,827
Utility Administration	240,964	232,331	8,633	230,504
Overhead Allocation	38,000	40,406	(2,406)	-
Capital Outlay	1,721,000	506,491	1,214,509	614,651
Total Operating Expenses	<u>2,145,835</u>	<u>936,645</u>	<u>1,209,190</u>	<u>1,071,560</u>
Operating Income (Loss)	<u>(1,565,985)</u>	<u>(342,583)</u>	<u>1,223,402</u>	<u>(443,432)</u>
Other Revenues (Expenses)				
Investment Earnings	3,300	6,535	3,235	5,947
Miscellaneous Revenue	-	2,338	2,338	111
Debt Service	(16,667)	(16,667)	-	(16,666)
Net Other Revenues (Expenses)	<u>(13,367)</u>	<u>(7,794)</u>	<u>5,573</u>	<u>(10,608)</u>
Net Income before Transfers and Contributions	<u>(1,579,352)</u>	<u>(350,377)</u>	<u>1,228,975</u>	<u>(454,040)</u>
Capital Contributions				
Construction Grants	1,600,000	165,382	(1,434,618)	351,614
Connection Charges	10,000	25,750	15,750	43,750
Change in Net Position - Budget Basis	<u>\$ 30,648</u>	<u>(159,245)</u>	<u>\$ (189,893)</u>	<u>(58,676)</u>
Reconciliation of Budget to GAAP Basis				
Capitalized Assets		500,747		614,651
Principal Payments		16,667		16,666
Depreciation Expense		(145,913)		(134,550)
Change in Net Position - GAAP Basis		<u>212,256</u>		<u>438,091</u>
Net Position - Beginning		4,491,336		4,053,245
Prior Period Restatement		(5,659)		-
Net Position - Beginning (Restated)		<u>4,485,677</u>		<u>4,053,245</u>
Net Position - Ending		<u>\$ 4,697,933</u>		<u>\$ 4,491,336</u>

See the accompanying Independent Auditors' Report

COMPLIANCE SECTION

State Compliance

Total: (A.1-5) \$ 71,124.00

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds

a. Interest \$ 0.00

b. Redemption \$ 0.00

2. Notes

a. Interest \$ 0.00

b. Redemption \$ 0.00

SubTotal: (1+2) \$ 0.00

Please no commas or dollar signs for the input

C. Payments to State for Highways: \$ 0.00

D. Payments to Toll Facilities: \$ 0.00

Total Disbursements: (A+B+C+D) \$ 71,124.00

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00

Steps for printing your content and returning to 'Edit Mode

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

ANNUAL HIGHWAY FINANCE REPORT - CY18

Email address: Carolinemitchell@townoflakecity.

City/County: Lake City

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	\$	<input type="text" value="32,385.00"/>
3. Other local imposts: <i>from A.3. Total' below)</i>	\$	<input type="text" value="9,690.71"/>
4. Miscellaneous local receipts: <i>from A.4. Total' below)</i>	\$	<input type="text" value="0.00"/>
5. Transfers from toll facilities	\$	<input type="text" value="0.00"/>
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	<input type="text" value="0.00"/>
b. Bonds - Refunding Issues:	\$	<input type="text" value="0.00"/>
c. Notes:	\$	<input type="text" value="0.00"/>

SubTotal: \$

B. Private Contributions

\$

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	\$	0.00
b. Other Local Imposts		
1. Sales Taxes:	\$	2,690.71
2. Infrastructure and Impact Fees:	\$	0.00
3. Liens:	\$	0.00
4. Licenses:	\$	0.00
5. Specific Ownership and/or Other:	\$	7,000.00
Total: (a + b) carried to 'Other local imposts' above		\$ 9,690.71

A.4. Miscellaneous local receipts

Please no commas or dollar signs for the input

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

C. Receipts from State Government

Please no commas or dollar signs for the input

1. Highway User Taxes:	\$	39,061.58
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	0.00
d. Other (Specify):		

Comments:

\$

e. Other (Specify):

Comments:

\$

Total: (1+3c,d,e) \$ 39,061.58

D. Receipts from Federal Government

Please no commas or dollar signs for the input

2. Other Federal Agencies

a. Forest Service:

\$

b. FEMA:

\$

c. HUD:

\$

d. Federal Transit Administration:

\$

e. U.S. Corp of Engineers

\$

f. Other Federal:

\$

Total: (2a-f) \$ 0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: (from A.1.d. 'Total Capital Outlay' below)

\$

2. Maintenance:

\$

3. Road and street services

a. Traffic control operations:

\$

b. Snow and ice removal:

\$

c. Other:

\$

4. General administration & miscellaneous

\$

5. Highway law enforcement and safety

\$

Total: (A.1-5) \$ 71,124.00

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds

a. Interest \$ 0.00

b. Redemption \$ 0.00

2. Notes

a. Interest \$ 0.00

b. Redemption \$ 0.00

SubTotal: (1+2) \$ 0.00

Please no commas or dollar signs for the input

C. Payments to State for Highways: \$ 0.00

D. Payments to Toll Facilities: \$ 0.00

Total Disbursements: (A+B+C+D) \$ 71,124.00

Please no commas or dollar signs for the input

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

Please no commas or dollar signs for the input

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 0.00	\$ 0.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00

2. Capacity Improvements:

3. System Preservation:

4. System Enhancement:

5. Total Construction:

d. Total Capital Outlay: (Lines A.1.a. + 1.b. + 1.c.5)

\$	0.00	\$	0.00	\$	0.00
\$	0.00	\$	0.00	\$	0.00
				\$	0.00
				\$	0.00

IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

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

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 0.00	\$ 81,137.29	\$ 71,124.00	\$ 10,013.29	\$ 0.00

Notes & Comments:

undefined

Please enter your name: Caroline Mitchell