

CITY OF RIFLE, COLORADO
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

CITY OF RIFLE, COLORADO
ROSTER OF CITY OFFICIALS
DECEMBER 31, 2005

CITY COUNCIL

Keith Lambert – Mayor

Alan Lambert – Mayor Pro Tem

Beth Bascom - Councilmember

Jennifer Sanborn Firmin – Councilmember

Jeff Johnson - Councilmember

Jonathon Rice - Councilmember

Sandy Vaccaro - Councilmember

ADMINISTRATION

John Hier – City Manager

Nancy Black - Finance Director

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City of Rifle, Colorado

Management's Discussion and Analysis December 31, 2005

Management of the City of Rifle offer readers of the City of Rifle's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2005.

The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the financial statements and financial statement to broaden their understanding of the city's position.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999.

All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- City of Rifle's assets exceeded its liabilities at the close of 2005 by \$ 56,068 (net assets). Of this amount, \$9,751 may be used to meet the government's ongoing obligations.
- Total net assets increased by \$4,265 or 8%.
- The general fund received an energy impact severance tax payment of \$442 in 2005, down significantly from the \$1,677 received in 2004. These funds are intended to help the City deal with the impacts of the energy industry.
- As of December 31, 2005, combined governmental fund balances totaled \$9,133, an increase of \$837 from the prior year. The General Fund balance was \$2,672, down \$171 from the prior year.
- General fund unreserved, undesignated fund balance at December 31, 2005 was \$1,908 or 33% of total general fund expenditures.
- The business-type activities net assets increased \$2,053.
- Unrestricted net assets for the business-type activities increased \$180; Water Fund increased \$375; Sewer Fund decreased \$300; and Sanitation Fund increased \$105.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rifle's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Net asset increases or decreases, over time, may serve as a useful indicator of whether the financial position of the City of Rifle is improving or deteriorating. Other non-financial factors such as the condition of the City’s roads and changes in the City’s property tax base, sales tax base and condition of the City’s roads will also need to be considered to assess the overall health of the City.

The *Statement of Activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example, uncollected taxes and earned but unpaid wages.

The *Statement of Net Assets* and the *Statement of Activities* report City activities in two categories - *government activities* and *business-type activities*.

Government activities are most of the City’s basic services including general administration, police, property inspection, animal shelter, public works, cemetery, parks maintenance and recreation, senior services, information center, and DDA. Taxes and intergovernmental revenues principally support these services.

Business-type activities include the City’s water, wastewater (sewer) and sanitation (trash) services. These activities are supported by customer service fees that are expected to cover all or most of the cost of services provided.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rifle like other local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City’s funds can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the *government-wide financial statements*. However, unlike the *government-wide financial statements*, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the *government-wide financial statements*, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *government-wide financial statements*. By doing so, readers may better understand the long-term impact of the City’s near-term financing decisions. Both The *Balance Sheet-Governmental Funds* and *Statement of Revenues*,

Expenditures, and Changes in Fund Equity-Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The *Balance Sheet-Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Equity-Governmental Funds* present the City's major governmental funds separately and combine the five non-major funds combined into a single, aggregated presentation. The City's major governmental funds are the General Fund and the Street Improvement Fund. The non-major funds are Conservation Trust Fund, Economic Development Fund, Downtown Development Fund (DDA), Capital Improvement Fund, and Rifle Information Center Fund. Individual fund data for each of the non-major governmental funds is provided in the form of combining statement elsewhere in this report.

The City of Rifle adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with the state budget statutes.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

Proprietary funds – The City of Rifle maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Rifle uses an internal service fund to account for its fleet maintenance operations. The fleet maintenance services predominantly benefit the governmental rather than the business-type functions, and are included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the proprietary funds, though, only the water and sewer funds are considered major funds.

The City uses an internal service Fleet Maintenance Fund to report activities for services provided to the General Fund, Water Fund, Sewer Fund, and Sanitation Fund fleet. Because the majority of the services are provided to the General Fund, the net assets of these activities are blended into governmental activities in the government-wide reports.

The basic proprietary fund financial statements can be found on pages 9-13 of this report.

Fiduciary Funds – The City has one fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to finance City operations. The City's fiduciary activities are reported in separate *Statement of Fiduciary Net Assets* and *Statement of Changes in Fiduciary Net Assets* are reported on pages 12-13.

Notes to the financial statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-31 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also includes the Local Highway Finance Report. This information is presented on pages 43-44.

The combining statements referred to earlier in connection with non-major governmental funds and the individual fund statements can be found on pages 32-42 of this report.

Government-wide Financial Analysis

As noted earlier, the government-wide financial statements are designed to provide readers with a broad overview and long-term analysis of the City's financial position in a manner similar to a private-sector business.

Net Assets

The following table shows the City's net assets for 2005 as compared to 2004.

SUMMARY OF NET ASSETS						
December 31, 2005 and 2004						
	Governmental		Business Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Current and other assets	11,455	10,217	6,072	5,554	17,527	15,771
Capital assets (net)	<u>24,805</u>	<u>23,880</u>	<u>23,113</u>	<u>21,641</u>	<u>47,918</u>	<u>45,521</u>
Total assets	36,260	34,097	29,185	27,195	65,445	61,292
Other liabilities	2,311	2,109	738	553	3,049	2,662
Long-term liabilities	<u>3,625</u>	<u>3,877</u>	<u>2,703</u>	<u>2,951</u>	<u>6,328</u>	<u>6,828</u>
Total liabilities	5,936	5,986	3,441	3,504	9,377	9,489
Net assets:						
Invested in capital assets						
net of related debt	20,959	19,854	20,127	18,405	41,085	38,259
Restricted	1,309	923	3,923	3,772	5,232	4,695
Unrestricted	<u>8,056</u>	<u>7,334</u>	<u>1,695</u>	<u>1,514</u>	<u>9,751</u>	<u>8,849</u>
Total net assets	30,324	28,111	25,745	23,691	56,068	51,803

Net assets may serve over time as a useful indicator of the City's financial position. The City of Rifle's assets exceeded its liabilities (net assets) at the close of 2005 by \$56,068.

At the end of 2005, the City of Rifle had positive balances in all three categories of net assets, both for the City as a whole and as for its separate governmental and business-type activities.

As stated earlier, total net assets increased by \$4,265 or 8%.

The largest portion of the City's net assets (73%) is its investment in capital assets (e.g. land, buildings, infrastructure, and equipment) less any related outstanding debt used to acquire the

assets. These capital assets are used to provide services to citizens; and consequently are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the related resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities net capital assets increased \$925 or 4%. The major increase was street infrastructure improvements during 2005.

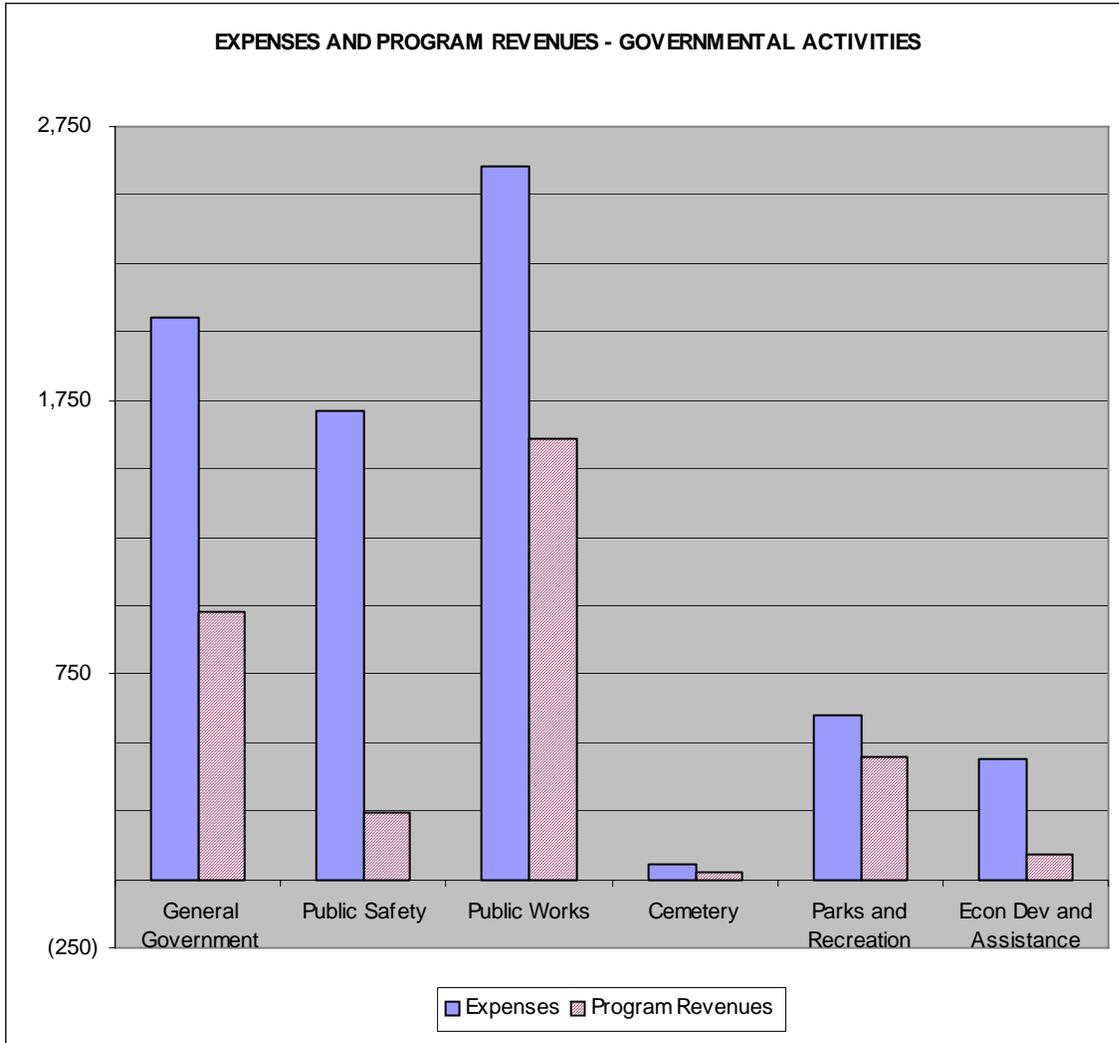
Business-type activities net capital assets increased \$1,472 or 7%. This increase was a result of water and sewer infrastructure improvements.

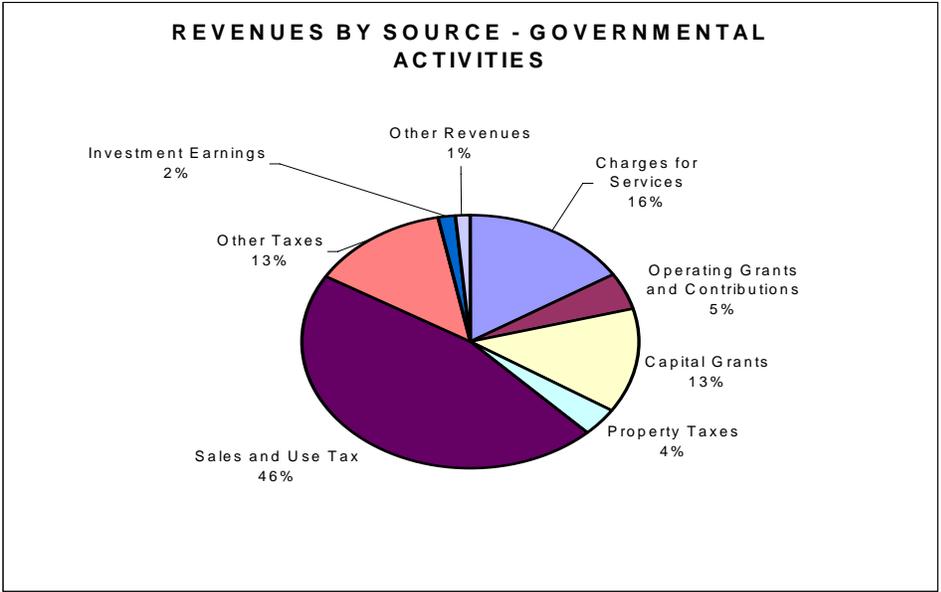
Restricted net assets are the portion of net assets legally restricted less any non-capital-related liabilities payable from those resources. Restricted net assets in the governmental activities increased \$386 or 42% mainly as a result of an increase of accumulated parkland dedication fees and increased TABOR emergency reserves. Restricted Net Assets in Business-type activities increased \$151 or 4%, primarily collected tap fees to be used for capital expansion in the Water Fund and Sewer Fund.

The remaining balance of net assets, unrestricted net assets, total \$9,751. These assets may be used to meet the City's ongoing obligations to citizens and creditors.

Unrestricted net assets for the governmental activities increased \$722 or 10%. The majority of this increase was due increased sales tax revenues due to expanded retail base and a rapidly expanding economy. Unrestricted Net Assets in business-type activities increased \$181 or 12%.

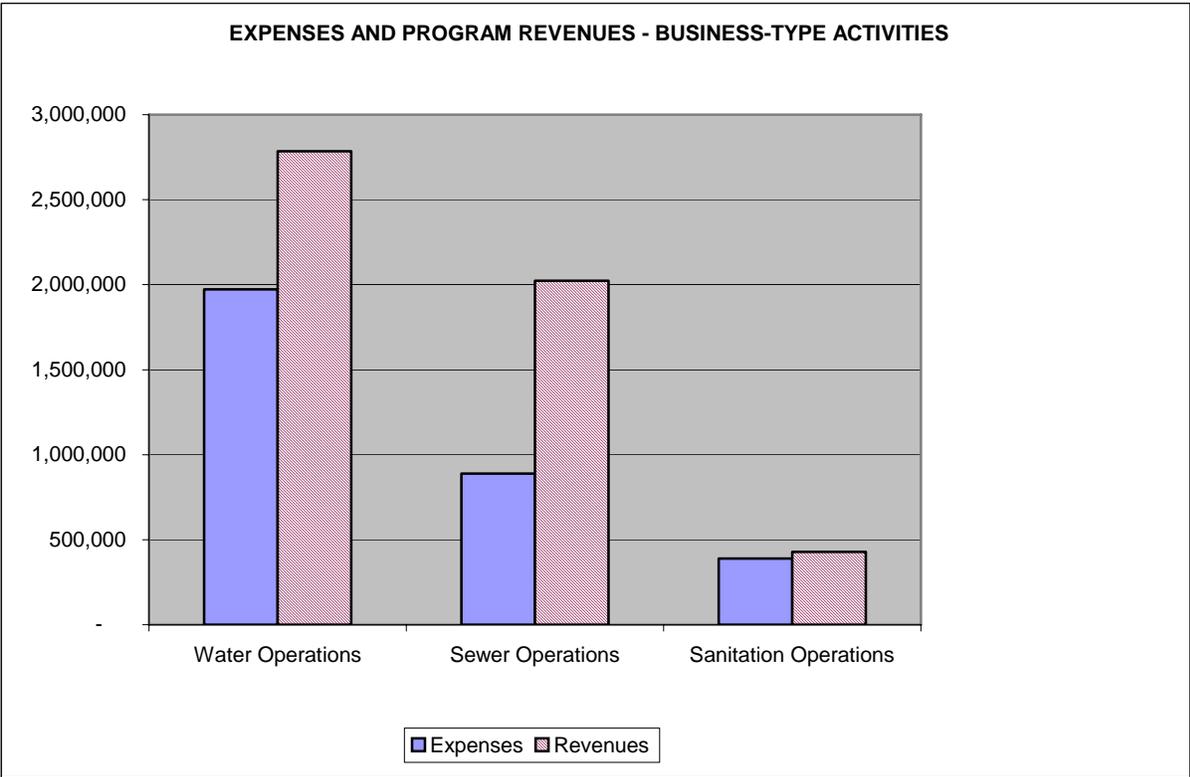
Governmental Activities



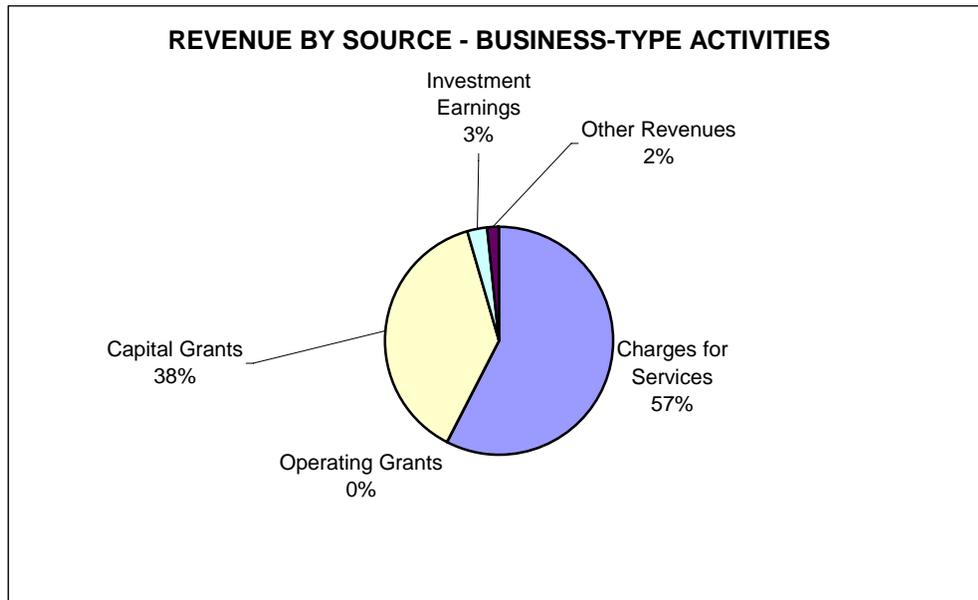


Business-Type Activities

Below is a graph of the business-type activities expenses and related program revenues. As illustrated below and in the Statement of Activities, charges for services, operating grants and contributions, and capital grants received for the services provided do cover program expenses, however, without the capital grants, operating expenses would exceed program charges for services in the Water and Sewer funds.



Below is a graph illustrating revenues by source for the business-type activities. Fifty-Seven percent (57%) of collected revenues are from charges for services.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Rifle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

One of the differences between the governmental activities as reported in the government-wide *Statement of Activities* and the individual governmental fund financial statements is the reporting of capital asset acquisitions. For the government-wide financial statements, any new assets are capitalized and only depreciation expense for those assets is reported in the *Statement of Activities*. In the individual governmental fund financial statements, the expenditure for the capital asset acquisitions is reported in the *Statement of Revenues, Expenditures, and Changes in Fund Equity*. Therefore, governmental fund capital outlay expenditures of \$1,954 for capital assets acquired in 2005 are not reflected in the *Statement of Activities*.

At year-end 2005, its governmental funds as reported on the *Balance Sheet – Governmental Funds* (page 3) reported a combined fund balance of \$9,133, an increase of \$837 from the prior year. The General Fund fund balance decreased \$171 or 6%. The Street Improvement Fund fund balance decreased \$276.

The General Fund unreserved, undesignated fund balance at December 31, 2005 was \$1,908 or 33% of annual expenditures. This is a decrease of \$231 from the prior year. The decrease in fund balance was due to a large transfer to the Capital Fund of \$1,192. Without that transfer the fund balance would have increased by over \$961.

General Fund revenues increased by a net amount of \$90. However, revenues were skewed because of mineral severance tax payments. In 2004, the City received \$1,677, while in 2005 only \$442 was received. That reduced severance tax had a net effect of reducing General Fund revenues by \$1,235 from 2004 to 2005. The large increase in sales and use tax revenues helped offset the decrease in severance tax revenue. Sales tax revenue increased 25% in the General Fund from \$2,467 to \$3,099, primarily due to the opening of a new Wal-Mart store in October, 2004. The City realized the full effect of that new store in 2005. General Fund expenditures increased \$320 in 2005 largely because of increased salary and benefit costs and capital outlay.

The Street Improvement Fund revenues decreased \$708 in 2005. Although there were increases in sales & use tax revenues, there were decreases in the areas of street impact fees and project funding from other governmental agencies.

The Street Improvement Fund's expenditures vary depending of planned public work projects. In 2005, the City completed road improvement projects including: Main Street Enhancement (\$1,000); Deerfield Park parking lot (\$585); Airport Road fifth lane (\$300); overlays on Jays and 29th (\$187) ; Traffic Signal upgrades along Railroad Ave (\$260); as well as various chip/seal and other maintenance projects. Capital outlay expenditures totaled \$1,628.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets increased \$1,721 for all proprietary funds. The majority of net assets (78%) are invested in capital assets.

PROPRIETARY FUND NET ASSETS				
December 31, 2005				
	Water	Sewer	Sanitation	Total
Investment in capital assets net of related debt	13,063	6,958	106	20,127
Restricted	1,985	1,938	-	3,922
Unrestricted	<u>874</u>	<u>472</u>	<u>348</u>	<u>1,695</u>
Total net assets	<u>15,922</u>	<u>9,368</u>	<u>454</u>	<u>25,844</u>

In the Wastewater Fund, a new treatment plant is needed within the next 2 years. A Water Treatment plant is planned in the next 5-10 years. The City Council is increasing tap fees to increase restricted net assets to meet these future capital plans.

Unrestricted net assets are reserves for the operation and maintenance component of all the proprietary funds. Again, both the Water Fund and Sewer Fund have been increasing user fees annually to meet the increasing costs of operation and to replace decaying infrastructure, including collection and distribution lines. Water and Sewer funds are gaining significant income from System Improvement Fees due to high rates of new construction in the City (\$573 in Water and \$553 in Sewer). Both funds also received funding from energy impact grants from the State of Colorado Division of Local Government. In 2005, the Water and Sewer funds received \$193 and \$538 respectively in grant funds for infrastructure replacements.

In 2005, all of the proprietary funds had a positive net income. The Water Fund had net income of \$843; and the Sewer Fund had net income of \$1,161; Sanitation net income was \$48.

Total unrestricted net assets increase \$674 in 2005. The Water Fund's unrestricted net assets increased \$375. The Sewer Fund's unrestricted net assets decreased \$300.

General Fund Budgetary Highlights

General Fund Revenues were strong in 2005, primarily due to a larger than projected increase in sales taxes. Total actual revenue was 25% greater than the budgeted amount. Expenditures were under budget, by about 3%. This left additional monies available, and the Council decided to transfer some of those excess funds to the Capital Fund, to be used for several large projects. The budget was amended to transfer \$1,191,714 from the General Fund to the Capital Fund. This leaves a healthy fund balance of approximately 33% of expenditures, and provides much needed funding for infrastructure projects.

The City entered into an incentive agreement with the developer of the Wal-Mart retail center to repay them for public improvements in the amount of \$1.5 Million. The Wal-Mart opened in the fall of 2003, and rebate payments began. The final payment on that agreement was made in October, 2005. The retail center has been very successful and contributed significantly to the increases in sales tax revenue in 2004 and 2005.

Capital Asset and Debt Administration

Capital assets – At the end of 2005, the City had \$47,919 invested in capital assets. The investment in capital assets included land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and trails. Total investment in capital assets for the current year increased 5% - a 4% increase for governmental activities and an 11% increase in business-type activities.

CAPITAL ASSETS AT YEAR-END (Net of Depreciation) As of December 31, 2005 and 2004 In Thousands of Dollars						
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	2,202	2,201	681	97	2,883	2,298
Buildings	906	960	3,805	3,829	4,711	4,789
Improvements	21,100	20,143	18,206	17,195	39,306	37,338
Equipment	598	576	421	520	1,019	1,096
Total	24,805	23,880	23,113	21,641	47,919	45,521

The major changes in the governmental activity capital assets include:

- Acquisition of Land (the Bailey pond) in the Water Fund valued at \$584 for sedimentation pond.

- A variety of street construction projects dedicated to the City in new residential developments totaling \$357; and improvements to existing streets totaling \$1,857. One of the largest street projects for 2005 was the Main Street Enhancement project that included replacement of curb, gutter, and sidewalk along Railroad Avenue from 3rd to 9th Streets.
- A number of streets were reconstructed, resulting in the removal of the cost of those streets (\$600) and the related accumulated depreciation (\$369) from the fixed assets records.

Debt administration – At the end of 2005, the City of Rifle had a balance of \$6,838 outstanding in revenue bonds, revenue notes payable, notes payable and capital leases. No new debt was issued in 2005, and the City repaid \$429 of its outstanding obligations.

The City has no general obligation debt at this time.

OUTSTANDING DEBT						
Years Ended December 31, 2005 and 2004						
In Thousands of Dollars						
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds and notes payable	3,845	4,020	2,825	3,074	6,670	7,094
Capital leases	<u>6</u>	<u>10</u>	<u>162</u>	<u>162</u>	<u>168</u>	<u>172</u>
Total	<u>3,851</u>	<u>4,030</u>	<u>2,987</u>	<u>3,236</u>	<u>6,838</u>	<u>7,266</u>

Economic Factors and Next Year's Budget and Rates

The City continues to experience rapid growth due to the booming energy industry. In addition, residential growth is strong, partially caused by employees who work in nearby Roaring Fork and Vail valleys, seeking more affordable housing.

Sales and Use tax revenues showed strong growth in 2005. The Super Wal Mart store which opened in October, 2004, is contributing a large share of the retail sales tax in the City. Sales tax revenue grew by over 25% in 2005, compared to the prior year. A new retail center opened in Glenwood Springs, 30 miles east of Rifle, has not had any significant negative impact on the City's sales tax revenue. In 2006, sales tax revenues are up about 20% over the same period in 2005.

There are a number of large capital projects budgeted or under development in 2006. A new Public Works operations center estimated cost of \$1.3M is underway. A new Justice Center to house Police and Courts is in the planning stages. The City has also committed to acquisition of a downtown property to facilitate a new retail/entertainment center that will bring new activity to the central area. The cost of that project is \$550 – 700K.

Parks & Recreation has a new source of revenue in 2006, with the 1.0% sales & use tax that was passed in 2005, effective January 1, 2006. Parks & Recreation was formerly part of the General Fund, but will have it's own special revenue fund to reflect the new dedicated tax source. A number of projects are underway to upgrade City parks. The City also took over operation of the outdoor swimming pool this year.

In the proprietary funds, Wastewater needs a new plant to be under construction within 18 months. Preliminary design and cost estimating is in process.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Director's office at the City of Rifle, 202 Railroad Ave, Rifle, CO 81650.

FINANCIAL SECTION

City Council
City of Rifle
Rifle, Colorado

INDEPENDENT AUDITORS' REPORT

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 City of Rifle, Colorado, as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements of the City, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rifle, Colorado, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general, street improvement and capital funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Rifle, Colorado's basic financial statements. The combining and individual fund statements and schedules and state compliance listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Johnson, Holscher & Company, P.C.

March 10, 2006

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the City'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, 2005.

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CITY OF RIFLE, COLORADO

STATEMENT OF NET ASSETS

December 31, 2005

	2005		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 5,410,726	\$ 1,144,231	\$ 6,554,957
Property Taxes Receivable	449,505	-	449,505
Special Assessments Receivable	428,774	-	428,774
Other Receivable	575,856	453,334	1,029,190
Interest Receivable	33,422	-	33,422
Prepaid Expenses	104,887	90,069	194,956
Due from Other Governments	204,768	346,413	551,181
Inventory	16,370	104,941	121,311
TOTAL CURRENT ASSETS	7,224,308	2,138,988	9,363,296
NONCURRENT ASSETS			
Capital Assets, net	24,805,355	23,113,244	47,918,599
Restricted Cash	4,090,013	3,922,716	8,012,729
Debt Issuance Costs	140,229	10,386	150,615
TOTAL NONCURRENT ASSETS	29,035,597	27,046,346	56,081,943
TOTAL ASSETS	36,259,905	29,185,334	65,445,239
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	617,638	277,506	895,144
Accrued Wages & Comp. Absences	441,820	52,272	494,092
Accrued Interest Payable	11,171	17,102	28,273
Deposits	112,171	107,471	219,642
Deferred Revenue	878,279	-	878,279
Current Portion - Long Term Debt	249,582	283,670	533,252
TOTAL CURRENT LIABILITIES	2,310,661	738,021	3,048,682
NONCURRENT LIABILITIES			
Bonds Payable	3,600,000	-	3,600,000
Bond Premiums	24,204	-	24,204
Notes Payable	-	2,579,015	2,579,015
Capital Leases Payable	1,177	123,751	124,928
TOTAL NONCURRENT LIABILITIES	3,625,381	2,702,766	6,328,147
TOTAL LIABILITIES	5,936,042	3,440,787	9,376,829
NET ASSETS			
Invested in Capital Assets Net of Related Debt	20,959,178	20,126,808	41,085,986
Restricted:			
for Debt Service	-	3,463,443	3,463,443
by Statute	279,363	-	279,363
for Capital Improvements	1,029,871	459,273	1,489,144
Unrestricted	8,055,451	1,695,023	9,750,474
TOTAL NET ASSETS	\$ 30,323,863	\$ 25,744,547	\$ 56,068,410

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

CITY OF RIFLE, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
Governmental Activities				
Current:				
General Government	\$ 2,052,124	\$ 927,276	\$ 48,366	\$ -
Public Safety	1,713,324	218,602	27,276	-
Public Works	2,608,295	290,167	282,699	1,039,107
Cemetery	52,417	23,380	2,000	-
Parks and Recreation	596,468	86,736	74,454	289,398
Economic Development and Assistance	438,878	66,834	21,696	-
Interest Expense	6,661	-	-	-
Depreciation, unallocated	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>7,468,167</u>	<u>1,612,995</u>	<u>456,491</u>	<u>1,328,505</u>
Business - Type Activities				
Current:				
Water Operations	1,971,643	1,881,145	-	903,564
Sewer Operations	889,855	840,136	-	1,182,350
Sanitation Operations	388,825	428,896	-	-
TOTAL BUSINESS - TYPE ACTIVITIES	<u>3,250,323</u>	<u>3,150,177</u>	<u>-</u>	<u>2,085,914</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 10,718,490</u>	<u>\$ 4,763,172</u>	<u>\$ 456,491</u>	<u>\$ 3,414,419</u>
GENERAL REVENUES				
Property Taxes				
Sales and Use Taxes				
Other Taxes				
Investment Earnings				
Other Revenues				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET ASSETS				
NET ASSETS - Beginning of Year				
NET ASSETS - End of Year				

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

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT		
GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (1,076,482)	\$ -	\$ (1,076,482)
(1,467,446)	-	(1,467,446)
(996,322)	-	(996,322)
(27,037)	-	(27,037)
(145,880)	-	(145,880)
(350,348)	-	(350,348)
(6,661)	-	(6,661)
-	-	-
(4,070,176)	-	(4,070,176)
-	813,066	813,066
-	1,132,631	1,132,631
-	40,071	40,071
-	1,985,768	1,985,768
(4,070,176)	1,985,768	(2,084,408)
360,659	-	360,659
4,576,695	-	4,576,695
1,328,527	-	1,328,527
166,936	146,964	313,900
(140,087)	(89,636)	(229,723)
(10,000)	10,000	-
6,282,730	67,328	6,350,058
2,212,554	2,053,096	4,265,650
28,111,309	23,691,451	51,802,760
\$ 30,323,863	\$ 25,744,547	\$ 56,068,410

CITY OF RIFLE, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS
 December 31, 2005
 With Comparative Totals for December 31, 2004

	GENERAL	STREET IMPROVEMENT	CAPITAL	OTHER GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 2,210,714	\$ 875,856	\$ 2,034,004	\$ 289,988
Property Taxes Receivable	414,644	-	-	34,861
Special Assessments Receivable	7,060	421,714	-	-
Other Receivable	461,753	97,471	-	16,632
Interest Receivable	33,422	-	-	-
Prepaid Expenses	102,110	71	-	29
Advance to Other Funds	80,997	-	202,500	250,200
Due from Other Governments	66,509	138,070	-	189
Restricted Cash and Investments	301,378	3,472,923	-	12,319
TOTAL ASSETS	\$ 3,678,587	\$ 5,006,105	\$ 2,236,504	\$ 604,218
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 214,951	\$ 378,053	\$ -	\$ 17,783
Accrued Wages & Comp. Absences	257,737	221	-	-
Deposits	112,091	-	-	80
Advances from Other Funds	-	452,700	-	80,997
Deferred Revenue	421,704	421,714	-	34,861
TOTAL LIABILITIES	1,006,483	1,252,688	-	133,721
FUND BALANCE				
Reserved for:				
Interfund Advances	80,997	-	202,500	250,200
Prepays	102,110	71	-	29
Community Television	-	-	-	-
Parking Development	-	-	-	12,319
Rifle Mountain Park	13,292	-	-	-
Senior Center Improvements	42,529	-	-	-
Regional Drainage	5,950	-	-	-
Impact Fees	-	412,782	-	-
Parkland Dedication	239,606	-	-	-
Seizure Expenditures	-	-	-	-
Emergencies	279,363	-	-	-
Unreserved reported in				
General Fund				
Undesignated	1,908,257	-	-	-
Special Revenue Funds	-	3,340,564	2,034,004	207,949
TOTAL FUND BALANCE	2,672,104	3,753,417	2,236,504	470,497
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,678,587	\$ 5,006,105	\$ 2,236,504	\$ 604,218

FUND BALANCE - GOVERNMENTAL FUNDS

Capital assets used in governmental activities are not resources and are not reported in the funds:

Capital Assets
 Accumulated Depreciation

Earned but unpaid accumulated leave balances are not reported in the funds:
 Accrued Compensated Absences

Long-term liabilities are not due and payable in the current period

Revenue Bonds Payable
 Capital Leases Payable
 Bond Premiums
 Bond Issuance Costs
 Accrued Interest Payable

Internal Service Funds are blended into Governmental Activities:
 Fleet Maintenance Fund Net Assets

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

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

TOTALS

2005	2004
\$ 5,410,562	\$ 4,218,176
449,505	358,470
428,774	10,590
575,856	1,092,040
33,422	33,671
102,210	111,708
533,697	625,151
204,768	68,255
<u>3,786,620</u>	<u>4,142,805</u>
<u>\$ 11,525,414</u>	<u>\$ 10,660,866</u>

\$ 610,787	\$ 1,088,614
257,958	216,719
112,171	66,074
533,697	625,151
<u>878,279</u>	<u>369,060</u>
<u>2,392,892</u>	<u>2,365,618</u>

533,697	625,151
102,210	111,708
-	50,471
12,319	12,319
13,292	12,920
42,529	24,490
5,950	1,412
412,782	412,782
239,606	125,954
-	3,026
279,363	279,363
1,908,257	2,139,567
<u>5,582,517</u>	<u>4,496,085</u>
<u>9,132,522</u>	<u>8,295,248</u>

<u>\$ 11,525,414</u>	<u>\$ 10,660,866</u>
----------------------	----------------------

\$ 9,132,522

38,190,744
(13,392,743)

(182,078)

(3,845,000)
(5,759)
(24,204)
140,229
(11,171)

321,323

\$ 30,323,863

CITY OF RIFLE, COLORADO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS**

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>CAPITAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes	\$ 4,040,116	\$ 850,425	\$ -	\$ 172,250
Special Assessments	4,324	32,285	-	-
Licenses and Permits	236,598	-	-	-
Intergovernmental	1,819,410	428,770	88,000	34,579
Charges for Services	729,718	250,823	-	-
Fines and Forfeitures	108,694	-	-	-
Miscellaneous	295,854	133,824	33,560	12,282
TOTAL REVENUES	<u>7,234,714</u>	<u>1,696,127</u>	<u>121,560</u>	<u>219,111</u>
EXPENDITURES				
General Government	1,861,104	-	-	-
Public Safety	1,706,901	-	-	-
Public Works	778,770	15,255	-	-
Cemetery	46,940	-	-	-
Parks and Recreation	856,895	-	-	-
Economic Development and Assistance	194,204	-	-	224,151
Capital Outlay	324,856	1,627,529	-	1,300
Debt Service	64,968	319,212	-	2,153
TOTAL EXPENDITURES	<u>5,834,638</u>	<u>1,961,996</u>	<u>-</u>	<u>227,604</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>1,400,076</u>	<u>(265,869)</u>	<u>121,560</u>	<u>(8,493)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long Term Debt	-	-	-	-
Operating Transfers In	20,750	-	1,191,714	-
Operating Transfers Out	(1,591,714)	(10,000)	-	(20,750)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,570,964)</u>	<u>(10,000)</u>	<u>1,191,714</u>	<u>(20,750)</u>
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	<u>(170,888)</u>	<u>(275,869)</u>	<u>1,313,274</u>	<u>(29,243)</u>
FUND BALANCE, Beginning	<u>2,842,992</u>	<u>4,029,286</u>	<u>923,230</u>	<u>499,740</u>
FUND BALANCE, Ending	<u>\$ 2,672,104</u>	<u>\$ 3,753,417</u>	<u>\$ 2,236,504</u>	<u>\$ 470,497</u>

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

TOTALS

<u>2005</u>	<u>2004</u>
\$ 5,062,791	\$ 3,899,858
36,609	7,947
236,598	182,838
2,370,759	3,362,850
980,541	1,433,533
108,694	114,973
<u>475,520</u>	<u>487,795</u>
<u>9,271,512</u>	<u>9,489,794</u>
1,861,104	1,551,875
1,706,901	1,585,937
794,025	776,898
46,940	42,480
856,895	690,581
418,355	283,187
1,953,685	3,007,323
<u>386,333</u>	<u>288,006</u>
<u>8,024,238</u>	<u>8,226,287</u>
<u>1,247,274</u>	<u>1,263,507</u>
-	13,449
1,212,464	198,502
<u>(1,622,464)</u>	<u>(198,502)</u>
<u>(410,000)</u>	<u>13,449</u>
837,274	1,276,956
<u>8,295,248</u>	<u>7,018,292</u>
<u>\$ 9,132,522</u>	<u>\$ 8,295,248</u>

CITY OF RIFLE, COLORADO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2005

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Change in Fund Balances - Total Governmental Funds	\$ 837,274
Principal payments on debt are reported as expenditures in the funds:	
Principal Payments on Outstanding Debt:	
Revenue Bonds Payable	175,000
Capital Leases Payable	4,381
Interest, issuance costs and bond premiums are reported on the cash basis in the funds:	
Change in Accrued Interest Payable	4,700
Amortization of Premiums	2,115
Amortization of Issuance Costs	(12,252)
Earned but unpaid accumulated leave balances are not reported in the funds:	
Change in Accrued Compensated Absences	(30,018)
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Purchased Capitalized Assets	2,059,088
Dedicated Capitalized Assets	356,964
Loss on Asset Disposals	(231,598)
Depreciation Expense	(1,256,271)
Internal Service Funds are blended into Governmental Activities:	
Fleet Maintenance Fund Change in Net Assets	303,171
Change in Net Assets - Governmental Activities	<u>\$ 2,212,554</u>

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

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
GENERAL FUND**

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005				2004 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Taxes	\$ 3,299,609	\$ 3,299,609	\$ 4,040,116	\$ 740,507	\$ 3,123,794
Special Assessments	5,200	5,200	4,324	(876)	7,947
Licenses and Permits	169,000	169,000	236,598	67,598	182,838
Intergovernmental	1,236,476	1,236,476	1,819,410	582,934	2,662,476
Charges for Services	750,050	750,050	729,718	(20,332)	749,388
Fines and Forfeitures	123,500	123,500	108,694	(14,806)	114,973
Miscellaneous	167,150	167,150	295,854	128,704	303,763
TOTAL REVENUES	5,750,985	5,750,985	7,234,714	1,483,729	7,145,179
EXPENDITURES					
General Government	1,821,709	1,802,069	1,861,104	(59,035)	1,551,875
Public Safety	1,701,339	1,710,292	1,706,901	3,391	1,585,937
Public Works	799,906	801,892	778,770	23,122	766,114
Cemetery	55,274	55,477	46,940	8,537	42,480
Parks and Recreation	840,796	848,135	856,895	(8,760)	690,581
Economic Development and Assistance	256,075	257,234	194,204	63,030	183,093
Capital Outlay	547,344	547,344	324,856	222,488	690,241
Debt Service	-	-	64,968	(64,968)	3,573
TOTAL EXPENDITURES	6,022,443	6,022,443	5,834,638	187,805	5,513,894
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(271,458)	(271,458)	1,400,076	1,671,534	1,631,285
OTHER FINANCING SOURCES (USES)					
Proceeds from Long Term Debt	-	-	-	-	13,449
Transfers In	-	-	20,750	20,750	164,021
Transfers Out	(400,000)	(1,591,714)	(1,591,714)	-	(34,481)
TOTAL OTHER FINANCING SOURCES (USES)	(400,000)	(1,591,714)	(1,570,964)	20,750	142,989
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(671,458)	(1,863,172)	(170,888)	1,692,284	1,774,274
FUND BALANCE, Beginning	2,842,992	2,842,992	2,842,992	-	1,068,718
FUND BALANCE, Ending	\$ 2,171,534	\$ 979,820	\$ 2,672,104	\$ 1,692,284	\$ 2,842,992

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
STREET IMPROVEMENT FUND**

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 670,451	\$ 850,425	\$ 179,974	\$ 637,759
Special Assessments	-	32,285	32,285	-
Intergovernmental	465,500	428,770	(36,730)	667,300
Charges for Services	370,000	250,823	(119,177)	683,845
Miscellaneous	80,000	133,824	53,824	81,673
TOTAL REVENUES	<u>1,585,951</u>	<u>1,696,127</u>	<u>110,176</u>	<u>2,070,577</u>
EXPENDITURES				
Public Works	20,095	15,255	4,840	10,784
Capital Outlay	3,985,500	1,627,529	2,357,971	2,298,287
Debt Service	312,551	319,212	(6,661)	281,635
TOTAL EXPENDITURES	<u>4,318,146</u>	<u>1,961,996</u>	<u>2,356,150</u>	<u>2,590,706</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(2,732,195)	(265,869)	2,466,326	(520,129)
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(50,300)	(10,000)	40,300	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(2,782,495)	(275,869)	2,506,626	(520,129)
FUND BALANCE, Beginning	<u>4,029,286</u>	<u>4,029,286</u>	<u>-</u>	<u>4,549,415</u>
FUND BALANCE, Ending	<u>\$ 1,246,791</u>	<u>\$ 3,753,417</u>	<u>\$ 2,506,626</u>	<u>\$ 4,029,286</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE
CAPITAL FUND**

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ -	\$ 88,000	\$ 88,000	\$ -
Miscellaneous	32,000	33,560	1,560	12,239
TOTAL REVENUES	32,000	121,560	89,560	12,239
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	1,191,714	1,191,714	-
Transfers Out	-	-	-	(131,021)
TOTAL OTHER FINANCING SOURCES (USES)	-	1,191,714	1,191,714	(131,021)
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	32,000	1,313,274	1,281,274	(118,782)
FUND BALANCE, Beginning	923,230	923,230	-	1,042,012
FUND BALANCE, Ending	\$ 955,230	\$ 2,236,504	\$ 1,281,274	\$ 923,230

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

CITY OF RIFLE, COLORADO

**STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS**

December 31, 2005

With Comparative Totals for December 31, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 513,422	\$ 325,595	\$ 305,214	\$ 1,144,231
Other Receivable	260,334	130,696	62,304	453,334
Prepaid Expenses	79,967	7,039	3,063	90,069
Due from Other Governments	269,872	76,541	-	346,413
Inventory	100,881	4,060	-	104,941
TOTAL CURRENT ASSETS	1,224,476	543,931	370,581	2,138,988
PROPERTY AND EQUIPMENT	21,729,889	11,682,421	345,652	33,757,962
Less Accumulated Depreciation	(6,218,829)	(4,185,742)	(240,147)	(10,644,718)
NET PROPERTY AND EQUIPMENT	15,511,060	7,496,679	105,505	23,113,244
OTHER ASSETS				
Restricted Cash and Investments	1,984,788	1,937,928	-	3,922,716
Loan Costs	9,169	1,217	-	10,386
TOTAL OTHER ASSETS	1,993,957	1,939,145	-	3,933,102
TOTAL ASSETS	18,729,493	9,979,755	476,086	29,185,334
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	233,995	29,454	14,057	277,506
Accrued Wages & Comp. Absences	34,881	9,307	8,084	52,272
Accrued Interest Payable	8,413	8,689	-	17,102
Deposits	81,694	25,777	-	107,471
Current Portion - Long Term Debt	162,106	121,564	-	283,670
TOTAL CURRENT LIABILITIES	521,089	194,791	22,141	738,021
LONG-TERM LIABILITIES				
Bonds Payable	-	-	-	-
Notes Payable	2,162,266	416,749	-	2,579,015
Capital Leases Payable	123,751	-	-	123,751
TOTAL LONG-TERM LIABILITIES	2,286,017	416,749	-	2,702,766
TOTAL LIABILITIES	2,807,106	611,540	22,141	3,440,787
NET ASSETS				
Invested in Capital Assets Net of Related Debt	13,062,937	6,958,366	105,505	20,126,808
Restricted				
For Capital Improvement	1,547,090	1,916,353	-	3,463,443
For Debt Service	437,698	21,575	-	459,273
Unrestricted	874,662	471,921	348,440	1,695,023
TOTAL NET ASSETS	\$ 15,922,387	\$ 9,368,215	\$ 453,945	\$ 25,744,547

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

GOVERNMENTAL ACTIVITIES INT. SERVICE FLEET MAINTENANCE	TOTALS	
	2005	2004
\$ 164	\$ 1,144,395	\$ 1,265,177
-	453,334	406,469
2,677	92,746	59,516
-	346,413	-
16,370	121,311	66,464
19,211	2,158,199	1,797,626
18,311	33,776,273	31,518,823
(10,957)	(10,655,675)	(9,867,817)
7,354	23,120,598	21,651,006
303,393	4,226,109	3,772,326
-	10,386	13,251
303,393	4,236,495	3,785,577
329,958	29,515,292	27,234,209
6,851	284,357	144,627
1,784	54,056	45,684
-	17,102	15,914
-	107,471	82,476
-	283,670	242,533
8,635	746,656	531,234
-	-	80,000
-	2,579,015	2,751,857
-	123,751	161,515
-	2,702,766	2,993,372
8,635	3,449,422	3,524,606
7,354	20,134,162	18,415,101
303,393	3,766,836	3,321,490
-	459,273	450,836
10,576	1,705,599	1,522,176
\$ 321,323	\$ 26,065,870	\$ 23,709,603

CITY OF RIFLE, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS**

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
OPERATING REVENUES				
Charges for Services	\$ 1,454,000	\$ 828,539	\$ 427,081	\$ 2,709,620
Sale of Materials	109,660	-	-	109,660
Reimbursed Expenditures	236,136	-	-	236,136
Other Revenue	81,349	11,597	1,815	94,761
TOTAL OPERATING REVENUES	1,881,145	840,136	428,896	3,150,177
OPERATING EXPENSES				
Personal Services	543,386	287,762	76,747	907,895
Supplies	233,116	36,177	8,403	277,696
Purchased Services	385,364	151,481	159,048	695,893
Other Expenses	1,486	-	3,800	5,286
Management Fees	149,733	91,372	41,310	282,415
Fleet Maintenance	28,945	7,037	32,117	68,099
Payment in Lieu of Taxes	35,500	19,292	9,963	64,755
Acquisition of Capital Assets	-	-	-	-
Depreciation	482,511	266,556	57,437	806,504
TOTAL OPERATING EXPENSES	1,860,041	859,677	388,825	3,108,543
NET INCOME (LOSS) FROM OPERATIONS	21,104	(19,541)	40,071	41,634
OTHER INCOME (EXPENSE)				
System Improvement Fees	572,633	553,424	-	1,126,057
Dedicated Infrastructure	97,291	91,417	-	188,708
Investment Earnings	78,816	60,111	8,037	146,964
Gain (Loss) on Disposal of Fixed Assets	(74,135)	(31,590)	-	(105,725)
Cash in Lieu of Fees	40,703	-	-	40,703
State Grants	192,937	537,509	-	730,446
Other Revenues	16,089	-	-	16,089
Interest Expense	(110,564)	(28,352)	-	(138,916)
Other Expenses	(1,038)	(1,826)	-	(2,864)
OTHER INCOME (EXPENSE)	812,732	1,180,693	8,037	2,001,462
NET INCOME (LOSS) BEFORE TRANSFERS	833,836	1,161,152	48,108	2,043,096
TRANSFERS				
Transfers In	10,000	-	-	10,000
NET INCOME (LOSS)	843,836	1,161,152	48,108	2,053,096
NET ASSETS, Beginning	15,078,551	8,207,063	405,837	23,691,451
NET ASSETS, Ending	\$ 15,922,387	\$ 9,368,215	\$ 453,945	\$ 25,744,547

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

GOVERNMENTAL ACTIVITIES	TOTALS	
	2005	2004
INT. SERVICE		
FLEET		
MAINTENANCE		
\$ 285,304	\$ 2,994,924	\$ 2,573,561
-	109,660	97,749
-	236,136	98,803
-	94,761	84,000
<u>285,304</u>	<u>3,435,481</u>	<u>2,854,113</u>
68,329	976,224	931,193
145,439	423,135	363,334
8,591	704,484	613,953
-	5,286	7,518
-	282,415	266,411
-	68,099	44,288
-	64,755	119,883
165,439	165,439	20,778
2,745	809,249	779,501
<u>390,543</u>	<u>3,499,086</u>	<u>3,146,859</u>
(105,239)	(63,605)	(292,746)
-	1,126,057	994,797
-	188,708	322,549
8,662	155,626	75,597
-	(105,725)	(18,058)
-	40,703	32,388
-	730,446	182,138
-	16,089	1,251
(252)	(139,168)	(131,437)
-	(2,864)	(2,864)
<u>8,410</u>	<u>2,009,872</u>	<u>1,456,361</u>
(96,829)	1,946,267	1,163,615
<u>400,000</u>	<u>410,000</u>	<u>-</u>
303,171	2,356,267	1,163,615
18,152	23,709,603	22,545,988
<u>\$ 321,323</u>	<u>\$ 26,065,870</u>	<u>\$ 23,709,603</u>

CITY OF RIFLE, COLORADO

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER FUND	SEWER FUND	SANITATION FUND	TOTAL
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 1,617,287	\$ 752,072	\$ 412,535	\$ 2,781,894
Cash Payments to Suppliers and Employees	(1,296,157)	(602,328)	(340,544)	(2,239,029)
Net Cash Provided by Operating Activities	<u>321,130</u>	<u>149,744</u>	<u>71,991</u>	<u>542,865</u>
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(1,147,548)	(1,048,311)	-	(2,195,859)
Proceeds From System Improvement Fees	572,633	553,424	-	1,126,057
Proceeds From Cash in Lieu of Fees	40,703	-	-	40,703
Proceeds From Debt Issuance	-	-	-	-
Proceeds From Grants	192,937	537,509	-	730,446
Principal Payments on Debt	(132,781)	(116,688)	-	(249,469)
Interest Payments on Debt	(107,697)	(30,031)	-	(137,728)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(581,753)</u>	<u>(104,097)</u>	<u>-</u>	<u>(685,850)</u>
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	16,089	-	-	16,089
Transfers - Net	10,000	-	-	10,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>26,089</u>	<u>-</u>	<u>-</u>	<u>26,089</u>
Cash Flows From Investing Activities:				
Investment Income	78,816	60,111	8,037	146,964
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(155,718)</u>	<u>105,758</u>	<u>80,028</u>	<u>30,068</u>
CASH AND INVESTMENTS, Beginning	<u>2,653,928</u>	<u>2,157,765</u>	<u>225,186</u>	<u>5,036,879</u>
CASH AND INVESTMENTS, Ending	<u>\$ 2,498,210</u>	<u>\$ 2,263,523</u>	<u>\$ 305,214</u>	<u>\$ 5,066,947</u>
Cash and Investments	\$ 513,422	\$ 325,595	\$ 305,214	\$ 1,144,231
Restricted Cash and Investments	1,984,788	1,937,928	-	3,922,716
TOTAL CASH AND INVESTMENTS	<u>\$ 2,498,210</u>	<u>\$ 2,263,523</u>	<u>\$ 305,214</u>	<u>\$ 5,066,947</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 21,104	\$ (19,541)	\$ 40,071	\$ 41,634
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	482,511	266,556	57,437	806,504
(Increase) Decrease in:				
Other Receivable	(18,980)	(11,523)	(16,361)	(46,864)
Prepaid Expenses	(31,326)	(1,654)	(395)	(33,375)
Due from Other Governments	(269,873)	(76,541)	-	(346,414)
Inventory	(60,016)	(4,060)	-	(64,076)
Increase (Decrease) in:				
Accounts Payable	167,509	(6,426)	(8,733)	152,350
Accrued Wages & Comp. Absences	5,206	2,933	(28)	8,111
Deposits	24,995	-	-	24,995
Total Adjustments	<u>300,026</u>	<u>169,285</u>	<u>31,920</u>	<u>501,231</u>
Net Cash Provided by Operating Activities	<u>\$ 321,130</u>	<u>\$ 149,744</u>	<u>\$ 71,991</u>	<u>\$ 542,865</u>

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

GOVERNMENTAL ACTIVITIES		
INT. SERVICE		
FLEET MAINTENANCE	TOTAL 2005	TOTAL 2004
\$ 285,304	\$ 3,067,198	\$ 2,985,311
(390,781)	(2,629,810)	(2,446,549)
<u>(105,477)</u>	<u>437,388</u>	<u>538,762</u>
-	(2,195,859)	(1,531,314)
-	1,126,057	994,797
-	40,703	32,388
-	-	706,514
-	730,446	182,138
-	(249,469)	(256,466)
(252)	(137,980)	(126,875)
<u>(252)</u>	<u>(686,102)</u>	<u>1,182</u>
-	16,089	1,251
400,000	410,000	-
<u>400,000</u>	<u>426,089</u>	<u>1,251</u>
8,662	155,626	75,597
302,933	333,001	616,792
624	5,037,503	4,420,711
<u>\$ 303,557</u>	<u>\$ 5,370,504</u>	<u>\$ 5,037,503</u>
\$ 164	\$ 1,144,395	\$ 1,265,177
303,393	4,226,109	3,772,326
<u>\$ 303,557</u>	<u>\$ 5,370,504</u>	<u>\$ 5,037,503</u>
\$ (105,239)	\$ (63,605)	\$ (292,746)
2,745	809,249	779,501
-	(46,864)	100,371
146	(33,229)	(48,071)
-	(346,414)	30,822
9,229	(54,847)	(3,562)
(12,619)	139,731	(29,199)
261	8,372	1,641
-	24,995	5
<u>(238)</u>	<u>500,993</u>	<u>831,508</u>
<u>\$ (105,477)</u>	<u>\$ 437,388</u>	<u>\$ 538,762</u>

CITY OF RIFLE, COLORADO

STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUND
December 31, 2005
With Comparative Totals for December 31, 2004

	<u>PERPETUAL CARE</u>	
	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and Investments	<u>\$ 186,460</u>	<u>\$ 184,460</u>
NET ASSETS		
Held in Trust for Fire and Police Pension Participants	<u>\$ 186,460</u>	<u>\$ 184,460</u>

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

CITY OF RIFLE, COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	<u>PERPETUAL CARE</u>	
	<u>2005</u>	<u>2004</u>
ADDITIONS:		
Charges for Services	\$ 2,000	\$ 6,050
NET ASSETS - Beginning	<u>184,460</u>	<u>178,410</u>
NET ASSETS - Ending	<u>\$ 186,460</u>	<u>\$ 184,460</u>

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

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rifle was incorporated in 1905 and became a Home Rule City in 1963. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, water, sewer, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include the accounts of all City operations.

This summary of the City of Rifle'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 accounting policies of the City of Rifle conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with Governmental Accounting Standards, the City 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 City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City 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 City. The City may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of these criteria, the following component unit is included in the City's reporting entity because of the significance of its operational or financial relationship to the City.

Blended Component Unit

The Downtown Development Agency (DDA) was created as a separate legal entity by an act of the state legislature and "activated" by action of the City Council to plan and develop the downtown area of the City and to attract new businesses and residents. The governing board of the Agency is appointed by the City Council for fixed terms. The DDA has the complete authority to hire management and all other employees. There is no significant continuing relationship between the City and the DDA for carrying out day-to-day functions.

The DDA is a separate taxing body and levies taxes against the property owners within the designated development district and may hold referendums of its constituents. The DDA's levy and the levy of the City are independent of each other and are related only by the fact that they are levied against a common tax base within the DDA's geographic boundaries. Property taxes from the DDA's levy are its primary revenue source.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

Because the DDA's governing board is appointed by the City and the budget and any amendments thereto are approved by the City, the DDA is reported as if it were part of the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. 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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are 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.

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 and pension trust 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 City.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary (enterprise) fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

When both restricted and unrestricted resources are available for use, it is the practice of the City to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the City reports the following major governmental funds:

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

Street Improvement Fund – This fund receives sales, use and street impact revenues restricted for public works street improvements.

Capital Fund – Revenues of this fund consist primarily of operating transfers from the General Fund to provide for long-term capital asset acquisition.

The City also reports the following major proprietary funds:

Water, Sewer and Sanitation Funds – These funds account for the activities related to offering the respective services to the City's residents.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the City reports the following fiduciary fund:

Perpetual Care Fund – The Perpetual Care Fund is used to account for assets held by the City in a trustee capacity for the future maintenance of the City's cemetery.

Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) In accordance with the City Charter, on or before the second Council meeting in August, the Council adopts a resolution setting the schedule for the adoption of the following year's budget.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to or by the first Council meeting in December, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager reports monthly to the City Council explaining any variance from the approved budget.
- (5) The City Charter requires the adoption of a budget for proprietary funds. Depreciation expense is not a budgeted item.
- (6) Appropriations lapse at the end of each year.
- (7) The City does not utilize encumbrance accounting.

Any time after the adoption of the annual appropriation ordinance, the City Council may adopt a supplemental budget appropriation ordinance. The Council adopted a supplemental appropriation of \$1,191,714, \$8,000, and \$43,000 for the General, Fleet Maintenance, and Economic Development Funds, respectively.

Property Taxes

Property taxes for the City are levied by the City Council and certified for collection to Garfield 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 Revenue at year end. These taxes are classified as deferred revenues since they are not available to the City until the subsequent year.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 City is depreciated using the straight line method over the following estimated useful lives.

Buildings	10 - 50 years
Land Improvements	7 - 75 years
Machinery and Equipment	5 - 10 years
Wastewater System	30 - 50 years
Water System	30 - 50 years

Infrastructure assets, which include streets, bridges, and drainage systems, are depreciated using the straight line method over estimated useful life of 25 years.

Compensated Absences

Employees earn one day of sick-leave per month. Upon accrual of 480 hours of sick-leave, employees begin accruing three hours of vacation per month in lieu of additional sick-leave.

Vacation is earned based upon the tenure with the City up to a maximum of twenty five days. Upon termination, the amount paid is the number of days accrued.

The City's policy is to record a liability and a related charge to expenditures for compensated absences for employees in the appropriate funds. The City has elected this conservative method to more closely monitor its financial position. Current accrued compensated absences including accrued payroll was \$494,092 at December 31, 2005, \$257,737 of which was recorded in the General Fund, \$52,272 in the Proprietary Funds, \$221 in the Special Revenue Funds and \$1,784 in the Internal Service Fund, plus an additional long-term liability recorded in the governmental activities of \$182,078.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets/Fund Equity

Reserved fund balances/restricted net assets report the portion of fund balance or net assets that are not appropriable for expenditure or are legally segregated for a specific future use. Designated fund balances of governmental funds represent tentative plans for financial resource utilization in a future period.

Inventory

Inventories are valued at cost, using the first-in, first-out (FIFO) method.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Cash Flow Statement

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

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments follow:

Governmental - Unrestricted	\$ 5,410,726
Business-type - Unrestricted	1,144,231
Governmental - Restricted	4,090,013
Business-type - Restricted	3,922,716
Fiduciary	<u>186,460</u>
Total Cash and Investments	<u>\$ 14,754,146</u>

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

Cash and Deposits	\$ 828,466
Investments	<u>13,925,680</u>
Total Cash and Investments	<u>\$ 14,754,146</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City'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 (\$100,000) 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, 2005, all of the City's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 200,000	\$ 200,000
PDPA Collateralized	958,126	627,791
Petty Cash	-	675
Total Cash and Deposits	<u>\$ 1,158,126</u>	<u>\$ 828,466</u>

Investments

Credit Risk

The City 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 Director of Finance is responsible for all of the investments of the City.

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

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

- 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

As of December 31, 2005, the City's investments consisted of the following:

	Fair Value	Weighted Avg. Maturity In Years
U.S. Instrumentalities:		
FNMA	\$ 2,955,100	0.69
FHLB	1,943,100	1.95
FHLMC	3,887,400	1.87
Local Investment Pools	4,930,620	0.17
Mutual Funds	209,460	N/A
Total Investments	\$ 13,925,680	1.01

During the year ended December 31, 2005, the City invested funds in the Colorado Surplus Asset Fund (CSAFE) and Colotrust. As investment pools, they operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. They invest 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 City manages its interest rate risk by setting a maximum maturity date no more than five years from the date of purchase unless otherwise authorized by the City Council.

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in FHLB, FNMA and FHLMC securities. These investments are 14%, 21%, and 28%, respectively, of the City's total investments.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2005, the City's U.S. Instrumentality securities were held by Wells Fargo Brokerage Services, LLC in the name of the City.

NOTE 3: RESTRICTED CASH

The City has recorded the following cash restrictions at December 31, 2005:

General Fund

Restricted for Senior Center Improvements	\$ 42,529
Restricted for Rifle Mountain Park	13,292
Restricted for Parkland Dedication	239,607
Restricted for Regional Drainage	5,950
Total General Fund	<u>301,378</u>

Street Improvement Fund

Restricted for Street Improvements from Bond Proceeds	2,712,920
Restricted for Bond Reserve	380,951
Restricted for Bond Principal and Interest Payments	379,052
Total Street Improvement Fund	<u>3,472,923</u>

Downtown Development Agency

Restricted for Parking Projects	<u>12,319</u>
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Fleet Maintenance Fund

Fleet Initial Funding	<u>303,393</u>
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CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 3: RESTRICTED CASH (Continued)

<u>Water Fund</u>	
Restricted for Infrastructure Improvements	1,318,976
Restricted for Water Rights	228,114
Restricted for Operations and Maintenance Reserve	<u>437,698</u>
Total Water Fund	<u>1,984,788</u>
<u>Sewer Fund</u>	
Restricted for Infrastructure Improvements	1,916,353
Restricted for Bond Principal and Interest Payments	<u>21,575</u>
Total Sewer Fund	<u>1,937,928</u>
Total Restricted Cash	<u>\$ 8,012,729</u>

NOTE 4: CHANGES IN CAPITAL ASSETS

The following schedule presents changes in governmental activities capital assets during 2005:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	12/31/2004			12/31/2005
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 2,200,650	\$ 1,000	\$ -	\$ 2,201,650
Depreciable Capital Assets:				
Buildings	3,505,868	17,561	-	3,523,429
Improvements	29,070,451	2,213,502	(600,722)	30,683,231
Equipment	<u>1,688,445</u>	<u>183,989</u>	<u>(71,689)</u>	<u>1,800,745</u>
Total Capital Assets	<u>36,465,414</u>	<u>2,416,052</u>	<u>(672,411)</u>	<u>38,209,055</u>
Less: Accum. Depreciation				
Buildings	(2,545,485)	(72,141)	-	(2,617,626)
Improvements	(8,927,362)	(1,025,103)	369,124	(9,583,341)
Equipment	<u>(1,112,650)</u>	<u>(161,772)</u>	<u>71,689</u>	<u>(1,202,733)</u>
Total Accum. Depreciation	<u>(12,585,497)</u>	<u>(1,259,016)</u>	<u>440,813</u>	<u>(13,403,700)</u>
Net Capital Assets	<u>\$ 23,879,917</u>	<u>\$ 1,157,036</u>	<u>\$ (231,598)</u>	<u>\$ 24,805,355</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 4: CHANGES IN CAPITAL ASSETS (Continued)

The following schedule presents business-type activities capital assets at December 31, 2005:

	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2005</u>
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 97,001	\$ 583,937	\$ -	\$ 680,938
Water Rights	495,000	-	-	495,000
Depreciable Capital Assets:				
Buildings	8,817,251	317,278	(5,727)	9,128,802
Improvements	20,923,042	1,466,358	(121,389)	22,268,011
Equipment	1,168,218	16,993	-	1,185,211
Total Capital Assets	<u>31,500,512</u>	<u>2,384,566</u>	<u>(127,116)</u>	<u>33,757,962</u>
Less: Accum. Depreciation				
Buildings	(4,988,641)	(334,920)	-	(5,323,561)
Improvements	(4,223,214)	(354,976)	21,392	(4,556,798)
Equipment	(647,751)	(116,608)	-	(764,359)
Total Accum. Depreciation	<u>(9,859,606)</u>	<u>(806,504)</u>	<u>21,392</u>	<u>(10,644,718)</u>
 Net Capital Assets	 <u>\$ 21,640,906</u>	 <u>\$ 1,578,062</u>	 <u>\$(105,724)</u>	 <u>\$ 23,113,244</u>

Depreciation has been charged to the various functions and programs as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 39,705	Water	\$ 482,511
Public Safety	50,829	Sewer	266,556
Public Works	1,016,198	Sanitation	<u>57,437</u>
Cemetery	2,903		<u>\$ 806,504</u>
Parks	141,961		
Economic Development	4,674		
Fleet Maintenance	<u>2,745</u>		
	<u>\$ 1,259,015</u>		

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 5: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

BONDS PAYABLE

In November, 2003, the City issued \$4,155,000 of Sales and Use Tax Revenue Bonds for street improvements. These bonds are secured by a pledge of the City's sales tax revenue. The bonds mature serially beginning in 2004 through 2018. Bond principal payments are due annually on December 1, and interest is due semi-annually on June 1 and December 1. The bonds bear interest at rates ranging from 2.0% to 4.10%. The bonds require a \$380,951 reserve. The City is also required to fund 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment monthly. The City has established the required reserves (Note 3). These bonds are repaid through the Street Improvement Fund.

CAPITAL LEASE PAYABLE

During 2004, the City entered into a capital lease for the purchase of a patrol car. Assets worth \$13,449 were acquired and capitalized. The lease requires twelve quarterly payments which began in April, 2004. The lease bears interest at 4.5% per annum with \$1,191 principal and interest payments.

Changes in governmental activity long-term debt are as follows:

	Balance 12/31/04	Advances	Repayments	Balance 12/31/05	Current Portion
2003 Revenue Bonds	\$ 4,020,000	\$ -	\$ 175,000	\$ 3,845,000	\$ 245,000
Capital Lease Payable	10,140	-	4,381	5,759	4,582
Total Obligations	\$ 4,030,140	\$ -	\$ 179,381	\$ 3,850,759	\$ 249,582

Scheduled payments on the bonds are due as follows:

Year	Principal	Interest	Total
2006	\$ 245,000	\$ 134,051	\$ 379,051
2007	250,000	129,151	379,151
2008	255,000	123,526	378,526
2009	265,000	114,601	379,601
2010	270,000	106,651	376,651
2011-2015	1,510,000	383,401	1,893,401
2016-2020	1,050,000	85,876	1,135,876
Total	\$ 3,845,000	\$ 1,077,257	\$ 4,922,257

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 5: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (Continued)

Scheduled payments on the capital lease are as follows:

<u>Year</u>	<u>Payment</u>
2006	4,764
2007	<u>1,191</u>
Total Payments	5,955
4.5% Interest	<u>196</u>
Present Value of Payments	<u>\$ 5,759</u>

NOTE 6: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Changes in business-type activity long-term debt are as follows:

	<u>Balance</u> <u>12/31/04</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/05</u>	<u>Current</u> <u>Portion</u>
1997 Revenue Bonds - Sewer	\$ 155,000	\$ -	\$ 75,000	\$ 80,000	\$ 80,000
2004 DOLA Note - Sewer	500,000	-	41,688	458,312	41,564
2004 Capital Lease - Water	161,514	-	-	161,514	37,764
1982 CWCB Note - Water	184,390	-	7,781	176,609	8,092
1998 CWRPDA Loan - Water	775,000	-	60,000	715,000	61,250
2003 CWRPDA Loan - Water	<u>1,460,000</u>	-	<u>65,000</u>	<u>1,395,000</u>	<u>55,000</u>
Total Obligations	<u>\$ 3,235,904</u>	<u>\$ -</u>	<u>\$ 249,469</u>	<u>\$ 2,986,435</u>	<u>\$ 283,670</u>

BONDS PAYABLE

On May 6, 1997, the City issued \$610,000 in Sewer Revenue Bonds payable under a loan agreement to Mesa National Bank. The bonds carry an average interest rate of 5.25% and were issued to acquire, construct and install sewer facilities for the City. The bonds require an establishment of a bond and interest reserve in the amount per month of 1/6 of the next scheduled interest payment and 1/12 of the next scheduled principal payment. The City has restricted cash equal to the required reserve (Note 3). Semi-annual interest and principal payments are to be made commencing on October 1, 1997 with a maturity date of October 1, 2006. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 80,000	\$ 3,150	\$ 83,150

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 6: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)

NOTES PAYABLE

On October 19, 1994, the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority for \$1,295,000. The loan carries an average interest rate of 6.1% and was issued to advance refund \$320,000 of outstanding 1986 General Obligation Water Bonds with an average interest rate of 7.9%, and to fund water plant improvements. The loan was subsequently refinanced in 1998 via a new Colorado Water Resource and Power Development bond issuance. This note will mature in October, 2014. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures. The City has funded this reserve through the restriction of its cash balances in the Water Fund (Note 3). The City is in compliance with all required covenants and obligations called for by the loan agreement. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 61,250	\$ 41,218	\$ 102,468
2007	66,250	37,695	103,945
2008	71,250	33,339	104,589
2009	76,250	28,288	104,538
2010	80,000	23,506	103,506
2011-2015	360,000	41,166	401,166
Total	<u>\$ 715,000</u>	<u>\$ 205,212</u>	<u>\$ 920,212</u>

In 2003, the City obtained permanent financing from the Colorado Water Resource and Power Development Authority (“CWRPDA”) of \$1,525,000 to fund system improvements. This permanent financing was used to repay the interim borrowing from CWRPDA that occurred in 2002. The new loan bears interest at 3.98% and required monthly principal and interest payments through October 1, 2023. Pursuant to the loan agreement, the City was required to establish a 3 month operations and maintenance reserve based on the subsequent years budgeted expenditures. The City has funded this reserve through the restriction of its cash balances in the Water Fund (Note 3). The City is in compliance with all required covenants and obligations called for by the loan agreement. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 55,000	\$ 50,405	\$ 105,405
2007	60,833	49,204	110,037
2008	65,000	47,935	112,935
2009	65,000	46,311	111,311
2010	65,833	44,652	110,485
2011-2015	361,667	190,398	552,065
2016-2020	437,500	117,880	555,380
2021-2023	284,167	24,858	309,025
Total	<u>\$ 1,395,000</u>	<u>\$ 571,643</u>	<u>\$ 1,966,643</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 6: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)

NOTES PAYABLE (Continued)

In 1981, the City entered into a loan agreement with the Colorado Water Conservation Board for system improvements. The loan was for \$300,000 and bears interest at 4%. Loan payments are due annually in the amount of \$15,156 through November 1, 2021. Payments are made by the Water Fund. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 8,092	\$ 7,064	\$ 15,156
2007	8,416	6,740	15,156
2008	8,753	6,403	15,156
2009	9,103	6,053	15,156
2010	9,467	5,689	15,156
2011-2015	53,326	22,454	75,780
2016-2020	64,878	10,902	75,780
2021	14,574	584	15,158
Total	<u>\$ 176,609</u>	<u>\$ 65,889</u>	<u>\$ 242,498</u>

In 2004, the City entered into a loan agreement with the Colorado Department of Local Affairs for sewer system improvements. The loan was for \$500,000 and bears interest at 5%. Loan payments are due annually in the amount of \$64,480 through September 1, 2014. Payments are made by the Sewer Fund. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 41,564	\$ 22,916	\$ 64,480
2007	43,643	20,837	64,480
2008	45,825	18,655	64,480
2009	48,116	16,364	64,480
2010	50,522	13,958	64,480
2011-2014	228,642	29,278	257,920
Total	<u>\$ 458,312</u>	<u>\$ 122,008</u>	<u>\$ 580,320</u>

CITY OF RIFLE, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 6: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (Continued)

CAPITAL LEASE PAYABLE

During 2004, the City entered into a capital lease for the purchase of a Vactor sewer cleaner. Assets worth \$206,515 were acquired and capitalized. The lease requires five annual payments which began in June, 2004. The lease bears interest at 4.48% per annum with \$45,000 principal and interest payments. The lease is being repaid by the Water Fund.

<u>Year</u>	<u>Payment</u>
2006	\$ 45,000
2007	45,000
2008	45,000
2009	<u>45,000</u>
Total Payments	180,000
4.48% Interest	<u>(18,486)</u>
Present Value of Payments	<u>\$ 161,514</u>

NOTE 7: INTERFUND TRANSACTIONS

Following is a summary of advances to and from other funds at December 31, 2005:

	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
General Fund	\$ 80,997	\$ -
Economic Development Fund	250,200	-
Capital Fund	202,500	-
Street Improvement Fund	-	452,700
Rifle Information Center Fund	-	<u>80,997</u>
Totals	<u>\$ 533,697</u>	<u>\$ 533,697</u>

The City has recorded the following routine and non-routine transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 20,750	\$ 1,591,714
Capital Improvement Fund	1,191,714	-
Downtown Development Fund	-	20,750
Fleet Maintenance Fund	400,000	-
Street Improvement	-	10,000
Water Fund	<u>10,000</u>	<u>-</u>
Totals	<u>\$ 1,622,464</u>	<u>\$ 1,622,464</u>

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 7: INTERFUND TRANSACTIONS (Continued)

In 2005, the General Fund made a \$400,000 transfer to the Fleet Maintenance Fund to provide resources for fleet acquisitions. The Fleet Maintenance Fund acquires assets on behalf of other operating departments. These assets are capitalized as governmental capital assets benefiting the respective departments. The Fleet Maintenance Fund will recover the original acquisition costs over a period of three years in the form of increased user charges to the benefiting department. These recoveries will assist in maintaining cash resources for future fleet purchases.

NOTE 8: EMPLOYEE BENEFIT PLANS

The City provides pension benefits for all of its full-time police officers through a defined contribution plan. The police officers contribute 8% of their compensation to the plan which the City matches with a 12.51% contribution. The City's contributions for each employee (and interest allocated thereon) vest at the rate of 20% per year. The City's contributions were calculated using the base salary amount of \$815,516. During the year ended December 31, 2005, the City contributed \$102,021, and the employees contributed \$71,925.

All other full-time employees of the City are eligible to participate in a defined contribution pension plan established under the provisions of Section 401(k) of the Internal Revenue Code. In this defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan covers all full-time employees with at least one year of service and who have attained the age of twenty-one. The City contributes 5% of compensation to the plan on behalf of each qualified employee. Employees may not make contributions to this plan. Employees vest at the rate of 20% per year in contributions made by the City so that, by the fifth year of participation, they are 100% vested in all contributions made to the plan. The City's total payroll was \$3,538,534 and covered payroll was \$2,440,540 for this plan. For the year ended December 31, 2005, the City contributed \$122,027 to the plan.

The City offers a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. The plan permits employees to defer a portion of their salary to future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts held by the Section 457 plan are held in trust for the benefit of the employees and accordingly are not included in the City's financial statements.

NOTE 9: RECONCILIATION OF BUDGETED REVENUE AND EXPENDITURES TO ACTUALS

The financial statements present the activities of the proprietary fund types in conformity with GAAP, as applicable to these funds. Budgets are prepared using a non-GAAP basis. A reconciliation of the two methods is provided below:

CITY OF RIFLE, COLORADO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

NOTE 9: RECONCILIATION OF BUDGETED REVENUE AND EXPENDITURES TO ACTUALS
(Continued)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>	<u>Fleet Maintenance Fund</u>
Total Expenditures -					
GAAP Basis	\$ 1,971,643	\$ 889,855	\$ 388,825	\$ 3,250,323	\$ 390,795
Depreciation	(482,511)	(266,556)	(57,437)	(806,504)	-
Debt Service Principal	132,781	116,688	-	249,469	-
Capital Asset Acquisition	1,147,547	1,048,311	-	2,195,858	-
Total Expenditures - Budget Basis	<u>\$ 2,769,460</u>	<u>\$ 1,788,298</u>	<u>\$ 331,388</u>	<u>\$ 4,889,146</u>	<u>\$ 390,795</u>

NOTE 10: RISK MANAGEMENT

The City 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.

For risks related to property and liability, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, section 18(2). The purposes of CIRSA are to provide members defined liability and property coverage and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the City does not approve budgets nor does it have ability to significantly affect the operations of the unit.

The City carries commercial insurance for workers compensation claims.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2005

With Comparative Totals for December 31, 2004

	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>	<u>RIFLE INFORMATION CENTER</u>
ASSETS				
Cash and Investments	\$ 45,122	\$ 192,563	\$ 13,829	\$ 38,474
Property Taxes Receivable	-	-	34,861	-
Other Receivable	-	-	-	16,632
Prepaid Expenses	-	-	29	-
Advance to Other Funds	-	250,200	-	-
Due from Other Governments	-	-	189	-
Restricted Cash and Investments	-	-	12,319	-
TOTAL ASSETS	<u>\$ 45,122</u>	<u>\$ 442,763</u>	<u>\$ 61,227</u>	<u>\$ 55,106</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ 15,220	\$ 2,473	\$ 90
Deposits	-	-	-	80
Advances from Other Funds	-	-	-	80,997
Deferred Revenue	-	-	34,861	-
TOTAL LIABILITIES	<u>-</u>	<u>15,220</u>	<u>37,334</u>	<u>81,167</u>
FUND BALANCE				
Reserved for:				
Interfund Advances	-	250,200	-	-
Parking Development	-	-	12,319	-
Prepays	-	-	29	-
Unreserved reported in Special Revenue Funds	<u>45,122</u>	<u>177,343</u>	<u>11,545</u>	<u>(26,061)</u>
TOTAL FUND BALANCE	<u>45,122</u>	<u>427,543</u>	<u>23,893</u>	<u>(26,061)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 45,122</u>	<u>\$ 442,763</u>	<u>\$ 61,227</u>	<u>\$ 55,106</u>

See the accompanying Independent Auditors' Report.

TOTALS

<u>2005</u>	<u>2004</u>
\$ 289,988	\$ 304,168
34,861	25,094
16,632	13,542
29	-
250,200	278,000
189	240
<u>12,319</u>	<u>12,319</u>
<u>\$ 604,218</u>	<u>\$ 633,363</u>
\$ 17,783	\$ 12,293
80	85
80,997	96,151
<u>34,861</u>	<u>25,094</u>
<u>133,721</u>	<u>133,623</u>
250,200	278,000
12,319	12,319
29	-
<u>207,949</u>	<u>209,421</u>
<u>470,497</u>	<u>499,740</u>
<u>\$ 604,218</u>	<u>\$ 633,363</u>

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>	<u>RIFLE INFORMATION CENTER</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 27,090	\$ 145,160
Intergovernmental	34,579	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	782	5,919	4,917	664
TOTAL REVENUES	35,361	5,919	32,007	145,824
EXPENDITURES				
Economic Development and Assistance	-	84,161	22,689	117,301
Capital Outlay	-	1,000	300	-
Debt Service	-	-	47	2,106
TOTAL EXPENDITURES	-	85,161	23,036	119,407
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	35,361	(79,242)	8,971	26,417
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(20,750)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(20,750)	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	35,361	(79,242)	(11,779)	26,417
FUND BALANCE (DEFICIT), Beginning	9,761	506,785	35,672	(52,478)
FUND BALANCE (DEFICIT), Ending	<u>\$ 45,122</u>	<u>\$ 427,543</u>	<u>\$ 23,893</u>	<u>\$ (26,061)</u>

See the accompanying Independent Auditors' Report.

TOTALS

<u>2005</u>	<u>2004</u>
\$ 172,250	\$ 138,305
34,579	33,074
-	300
<u>12,282</u>	<u>90,120</u>
219,111	261,799
224,151	100,094
1,300	18,795
<u>2,153</u>	<u>2,798</u>
227,604	121,687
(8,493)	140,112
-	34,481
<u>(20,750)</u>	<u>(33,000)</u>
(20,750)	1,481
(29,243)	141,593
<u>499,740</u>	<u>358,147</u>
<u>\$ 470,497</u>	<u>\$ 499,740</u>

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SPECIAL REVENUE FUNDS

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.

Downtown Development Agency Fund -- This fund receives an allocation of property taxes to be used for downtown development.

Economic Development Fund -- This fund receives sewer line recovery fees and other designated income to be used for economic development.

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

Street Tax Fund -- This fund receives sales, use and street impact revenues restricted for public works street improvements.

Capital Fund -- This fund is restricted to capital improvement projects of the City.

Rifle Information Center Fund -- This fund accounts for the operations of the City information center.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

CONSERVATION TRUST FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Intergovernmental	\$ 105,905	\$ 34,579	\$ (71,326)	\$ 33,074
Miscellaneous	200	782	582	273
TOTAL REVENUES	106,105	35,361	(70,744)	33,347
EXPENDITURES				
Capital Outlay	102,905	-	102,905	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	3,200	35,361	32,161	33,347
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	-	(33,000)
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	3,200	35,361	32,161	347
FUND BALANCE, Beginning	9,761	9,761	-	9,414
FUND BALANCE, Ending	\$ 12,961	\$ 45,122	\$ 32,161	\$ 9,761

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

ECONOMIC DEVELOPMENT FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			<u>2004 ACTUAL</u>
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAV (UNFAV)</u>	
REVENUES				
Miscellaneous	\$ 3,450	\$ 5,919	\$ 2,469	\$ 84,114
EXPENDITURES				
Economic Development and Assistance	93,000	84,161	8,839	-
Capital Outlay	-	1,000	(1,000)	-
TOTAL EXPENDITURES	93,000	85,161	7,839	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(89,550)	(79,242)	10,308	84,114
FUND BALANCE, Beginning	506,785	506,785	-	422,671
FUND BALANCE, Ending	<u>\$ 417,235</u>	<u>\$ 427,543</u>	<u>\$ 10,308</u>	<u>\$ 506,785</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DOWNTOWN DEVELOPMENT FUND
 Year Ended December 31, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 26,193	\$ 27,090	\$ 897	\$ 26,489
Miscellaneous	4,100	4,917	817	4,629
TOTAL REVENUES	30,293	32,007	1,714	31,118
EXPENDITURES				
Economic Development and Assistance	12,600	22,689	(10,089)	11,639
Capital Outlay	42,000	300	41,700	5,163
Debt Service	2,130	47	2,083	114
TOTAL EXPENDITURES	56,730	23,036	33,694	16,916
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(26,437)	8,971	35,408	14,202
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(20,750)	(20,750)	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(26,437)	(11,779)	14,658	14,202
FUND BALANCE, Beginning	35,672	35,672	-	21,470
FUND BALANCE, Ending	\$ 9,235	\$ 23,893	\$ 14,658	\$ 35,672

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

RIFLE INFORMATION CENTER FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 114,400	\$ 145,160	\$ 30,760	\$ 111,816
Charges for Services	-	-	-	300
Miscellaneous	600	664	64	1,104
TOTAL REVENUES	<u>115,000</u>	<u>145,824</u>	<u>30,824</u>	<u>113,220</u>
EXPENDITURES				
Economic Development and Assistance	115,172	117,301	(2,129)	88,455
Capital Outlay	2,400	-	2,400	13,632
Debt Service	15,190	2,106	13,084	2,684
TOTAL EXPENDITURES	<u>132,762</u>	<u>119,407</u>	<u>13,355</u>	<u>104,771</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(17,762)	26,417	44,179	8,449
FUND BALANCE (DEFICIT), Beginning	<u>35,385</u>	<u>(52,478)</u>	<u>(87,863)</u>	<u>(60,927)</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 17,623</u>	<u>\$ (26,061)</u>	<u>\$ (43,684)</u>	<u>\$ (52,478)</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

CEMETERY FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Cemetery	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	34,481
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	-	-	-	34,481
FUND BALANCE, Beginning	-	-	-	(34,481)
RESIDUAL EQUITY TRANSFER	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

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 following are the Enterprise Funds of the City:

Water Fund -- This fund accounts for the provision of water services to City residents.

Sewer Fund -- This fund accounts for the provision of sewer services to City residents.

Sanitation Fund -- This fund accounts for the provision of waste management services to City residents.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

WATER FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2004 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 1,420,000	\$ 1,454,000	\$ 34,000	\$ 1,245,298
Sale of Materials	75,000	109,660	34,660	97,749
Reimbursed Expenditures	5,000	46,366	41,366	21,219
UMTRA Reimbursement	852,000	189,770	(662,230)	77,584
Other Revenue	38,300	81,349	43,049	74,034
System Improvement Fees	363,750	572,633	208,883	436,069
Dedicated Infrastructure	-	97,291	97,291	201,802
Investment Earnings	35,000	78,816	43,816	45,868
Gain (Loss) on Disposal of Fixed Assets	-	(74,135)	(74,135)	-
Cash in Lieu of Fees	16,000	40,703	24,703	32,388
State Grants	60,000	192,937	132,937	106,346
Other Revenues	2,500	16,089	13,589	1,251
Transfers In	-	10,000	10,000	-
TOTAL REVENUES	2,867,550	2,815,479	(52,071)	2,339,608
EXPENDITURES				
Personal Services	574,171	543,386	30,785	517,553
Supplies	230,000	233,116	(3,116)	226,089
Purchased Services	347,000	385,364	(38,364)	327,451
Other Operating Expenses	15,000	1,486	13,514	3,718
Management Fees	149,733	149,733	-	139,828
Fleet Maintenance	16,179	28,945	(12,766)	14,164
Payment in Lieu of Taxes	71,000	35,500	35,500	62,265
Acquisition of Capital Assets	2,233,800	1,147,547	1,086,253	1,055,657
Debt Principal	127,482	132,781	(5,299)	173,731
Interest Expense	103,779	110,564	(6,785)	114,373
Other Expenses	1,038	1,038	-	1,038
TOTAL EXPENDITURES	3,869,182	2,769,460	1,099,722	2,635,867
NET INCOME - Budgetary Basis	<u>\$ (1,001,632)</u>	46,019	<u>\$ 1,047,651</u>	(296,259)
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		1,147,547		1,034,879
Debt Principal		132,781		173,731
Depreciation Expense		(482,511)		(448,049)
NET INCOME - GAAP Basis		843,836		464,302
NET ASSETS, Beginning		<u>15,078,551</u>		<u>14,614,249</u>
NET ASSETS, Ending		<u>\$ 15,922,387</u>		<u>\$ 15,078,551</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEWER FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2004 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 771,650	\$ 828,539	\$ 56,889	\$ 745,497
Other Revenue	6,500	11,597	5,097	8,257
System Improvement Fees	350,000	553,424	203,424	558,728
Dedicated Infrastructure	-	91,417	91,417	120,747
Investment Earnings	25,000	60,111	35,111	26,799
Gain (Loss) on Disposal of Fixed Assets	-	(31,590)	(31,590)	(18,058)
State Grants	1,048,500	537,509	(510,991)	75,792
TOTAL REVENUES	2,201,650	2,051,007	(150,643)	1,517,762
EXPENDITURES				
Personal Services	329,078	287,762	41,316	259,113
Supplies	35,000	36,177	(1,177)	36,735
Purchased Services	132,568	151,481	(18,913)	148,335
Other Operating Expenses	25,000	-	25,000	-
Management Fees	91,372	91,372	-	84,808
Fleet Maintenance	5,819	7,037	(1,218)	6,832
Payment in Lieu of Taxes	38,583	19,292	19,291	37,275
Acquisition of Capital Assets	1,223,500	1,048,311	175,189	410,072
Debt Principal	114,752	116,688	(1,936)	82,735
Interest Expense	32,219	28,352	3,867	16,895
Other Expenses	1,826	1,826	-	1,826
TOTAL EXPENDITURES	2,029,717	1,788,298	241,419	1,084,626
NET INCOME - Budgetary Basis	\$ 171,933	262,709	\$ 90,776	433,136
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		1,048,311		410,072
Debt Principal		116,688		82,735
Depreciation Expense		(266,556)		(271,269)
NET INCOME - GAAP Basis		1,161,152		654,674
NET ASSETS, Beginning		8,207,063		7,552,389
NET ASSETS, Ending		\$ 9,368,215		\$ 8,207,063

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SANITATION FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 398,500	\$ 427,081	\$ 28,581	\$ 406,866
Other Revenue	1,700	1,815	115	1,709
Investment Earnings	3,600	8,037	4,437	2,930
TOTAL REVENUES	<u>403,800</u>	<u>436,933</u>	<u>33,133</u>	<u>411,505</u>
EXPENDITURES				
Personal Services	92,417	76,747	15,670	85,018
Supplies	5,000	8,403	(3,403)	4,000
Purchased Services	147,803	159,048	(11,245)	131,199
Other Operating Expenses	3,800	3,800	-	3,800
Management Fees	41,310	41,310	-	41,775
Fleet Maintenance	30,154	32,117	(1,963)	23,292
Payment in Lieu of Taxes	19,925	9,963	9,962	20,343
Acquisition of Capital Assets	190,000	-	190,000	-
TOTAL EXPENDITURES	<u>530,409</u>	<u>331,388</u>	<u>199,021</u>	<u>309,427</u>
NET INCOME - Budgetary Basis	<u>\$ (126,609)</u>	105,545	<u>\$ 232,154</u>	102,078
ADJUSTMENTS TO GAAP BASIS				
Depreciation Expense		(57,437)		(57,438)
NET INCOME - GAAP Basis		48,108		44,640
NET ASSETS, Beginning		<u>405,837</u>		<u>361,197</u>
NET ASSETS, Ending		<u>\$ 453,945</u>		<u>\$ 405,837</u>

See the accompanying Independent Auditors' Report.

INTERNAL SERVICE FUND

Internal Service funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fleet Maintenance Fund -- This fund accounts for fleet equipment charges paid by City departments to offset maintenance and depreciation expenses.

CITY OF RIFLE, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

FLEET MAINTENANCE FUND

Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005			2004 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 302,751	\$ 285,304	\$ (17,447)	\$ 175,900
Investment Earnings	5,580	8,662	3,082	-
Transfers In	400,000	400,000	-	-
TOTAL REVENUES	<u>708,331</u>	<u>693,966</u>	<u>(14,365)</u>	<u>175,900</u>
EXPENDITURES				
Personal Services	71,959	68,329	3,630	69,509
Supplies	133,300	145,439	(12,139)	96,510
Purchased Services	12,955	8,591	4,364	6,968
Acquisition of Capital Assets	244,000	165,439	78,561	-
Depreciation	1,500	2,745	(1,245)	2,745
Interest Expense	-	252	(252)	169
TOTAL EXPENDITURES	<u>463,714</u>	<u>390,795</u>	<u>72,919</u>	<u>175,901</u>
NET INCOME - Budgetary Basis	<u>\$ 244,617</u>	303,171	<u>\$ 58,554</u>	(1)
NET ASSETS, Beginning		<u>18,152</u>		<u>18,153</u>
NET ASSETS, Ending		<u>\$ 321,323</u>		<u>\$ 18,152</u>

See the accompanying Independent Auditors' Report.

STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT	City or County: CITY OF RIFLE
	YEAR ENDING : December 2005
This Information From The Records Of (example - City of _ or County of _) CITY OF RIFLE	Prepared By: Phone: KATHLEEN MORSE (970) 625-6240

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	1,731,667
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	368,647
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	5,519
2. General fund appropriations	550,000	b. Snow and ice removal	10,105
3. Other local imposts (from page 2)	1,364,869	c. Other	124,223
4. Miscellaneous local receipts (from page 2)	238,349	d. Total (a. through c.)	139,847
5. Transfers from toll facilities		4. General administration & miscellaneous	203,332
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	619,110
a. Bonds - Original Issues		6. Total (1 through 5)	3,062,603
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	144,212
7. Total (1 through 6)	2,153,218	b. Redemption	175,000
B. Private Contributions	250,823	c. Total (a. + b.)	319,212
C. Receipts from State government (from page 2)	664,970	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	3,069,011	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	319,212
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	3,381,815

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	4,034,082	3,069,011	3,381,815	3,721,278	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado YEAR ENDING (mm/yy): December 2005	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	36,609	a. Interest on investments	133,825
b. Other local imposts:		b. Traffic Fines & Penalties	104,524
1. Sales Taxes	850,425	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	236,948	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	240,887	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,328,260	h. Other	
c. Total (a. + b.)	1,364,869	i. Total (a. through h.)	238,349
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	203,589	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	32,611	d. Federal Transit Admin	
d. Other (Specify) - CDOT	138,070	e. U.S. Corps of Engineers	
e. Other (Specify) - DOLA	290,700	f. Other Federal	
f. Total (a. through e.)	461,381	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	664,970	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		165,242	165,242
c. Construction:			
(1). New Facilities		364,484	364,484
(2). Capacity Improvements		303,017	303,017
(3). System Preservation		752,674	752,674
(4). System Enhancement & Operation		146,250	146,250
(5). Total Construction (1) + (2) + (3) + (4)	0	1,566,425	1,566,425
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,731,667	1,731,667
			(Carry forward to page 1)
Notes and Comments:			