

**CITY OF RIFLE, COLORADO**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**CITY OF RIFLE, COLORADO**

**ROSTER OF CITY OFFICIALS**  
**DECEMBER 31, 2006**

**CITY COUNCIL**

Keith Lambert – Mayor

Alan Lambert – Mayor Pro Tem

Beth Bascom – Councilmember

Jeff Johnson – Councilmember

Jonathon Rice – Councilmember

Jennifer Sanborn – Councilmember

Sandy Vaccaro – Councilmember

**ADMINISTRATION**

John Hier – City Manager

Charles Kelty – Finance Director

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City of Rifle, Colorado

Management's Discussion and Analysis  
December 31, 2006

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, 2006. 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 2006 by \$66,266 (net assets). Of this amount, \$13,571 may be used to meet the government's ongoing obligations.
- Total net assets increased by \$10,015 or 17.8%.
- The general fund received an energy impact severance tax payment of \$576 in 2006, an increase from the \$442 received in 2005. These funds are intended to help the City deal with the impacts of the energy industry.
- As of December 31, 2006, combined governmental fund balances totaled \$12,298, an increase of \$3,166 from the prior year. The General Fund balance was \$4,000, up \$1,328 from the prior year.
- General fund unreserved, undesignated fund balance at December 31, 2006 was \$3,324 or 49% of total general fund expenditures.
- The business-type activities net assets increased \$3,229 to \$28,973.
- Unrestricted net assets for the business-type activities increased \$477; Water Fund increased \$88; Sewer Fund increased \$435; and Sanitation Fund decreased \$46.

### **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, and sales tax base 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. Customer service fees that are expected to cover all or most of the cost of services provided support these activities.

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, the Street Improvement Fund, the Capital Improvement Fund and the Parks and Recreation Fund. The non-major funds are Conservation Trust Fund, Economic Development Fund, Downtown Development Fund (DDA), 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 3-9 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 10-12 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 13-14.

**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 15-32 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 33-42 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 2006 as compared to 2005.

<b>SUMMARY OF NET ASSETS</b>						
<b>December 31, 2006 and 2005</b>						
<b>In Thousands of Dollars</b>						
	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Current and other assets	\$ 15,049	\$ 11,455	\$ 6,610	\$ 6,072	\$ 21,659	\$ 17,527
Capital assets (net)	<u>28,337</u>	<u>24,805</u>	<u>26,517</u>	<u>23,113</u>	<u>54,853</u>	<u>47,919</u>
<b>Total assets</b>	<u>43,386</u>	<u>36,260</u>	<u>33,127</u>	<u>29,185</u>	<u>76,512</u>	<u>65,445</u>
Other liabilities	2,721	2,129	813	738	3,533	2,867
Long-term liabilities	<u>3,372</u>	<u>3,625</u>	<u>3,341</u>	<u>2,703</u>	<u>6,713</u>	<u>6,328</u>
<b>Total liabilities</b>	<u>6,093</u>	<u>5,754</u>	<u>4,154</u>	<u>3,441</u>	<u>10,246</u>	<u>9,195</u>
Net assets:						
Invested in capital assets						
net of related debt	24,737	20,959	22,972	20,127	47,709	41,086
Restricted	1,157	1,309	3,829	3,923	4,986	5,232
Unrestricted	<u>11,399</u>	<u>8,238</u>	<u>2,172</u>	<u>1,695</u>	<u>13,571</u>	<u>9,933</u>
<b>Total net assets</b>	<u>\$ 37,293</u>	<u>\$ 30,506</u>	<u>\$ 28,973</u>	<u>\$ 25,745</u>	<u>\$ 66,266</u>	<u>\$ 56,250</u>

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 2006 by \$66,266.

At the end of 2006, 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 \$10,015 or 17.8%.

The largest portion of the City's net assets (72%) 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 \$6,787 or 22%. The major increase was due to the Public works operation center building construction; land development, historic landmark (movie theatre) purchase, parkland improvements, and equipment purchases in 2006.

Business-type activities net capital assets increased \$3,229 or 13%. 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 decreased \$153 or 12% mainly as a result of a decrease in accumulated parkland dedication fees and decrease in Inter-fund advances. Restricted Net Assets in Business-type activities decreased \$94 or 2%, primarily due to collected tap fees used for capital expansion in the Water Fund and Sewer Fund.

The remaining balance of net assets, unrestricted net assets, total \$13,571. These assets may be used to meet the City's ongoing obligations to citizens and creditors.

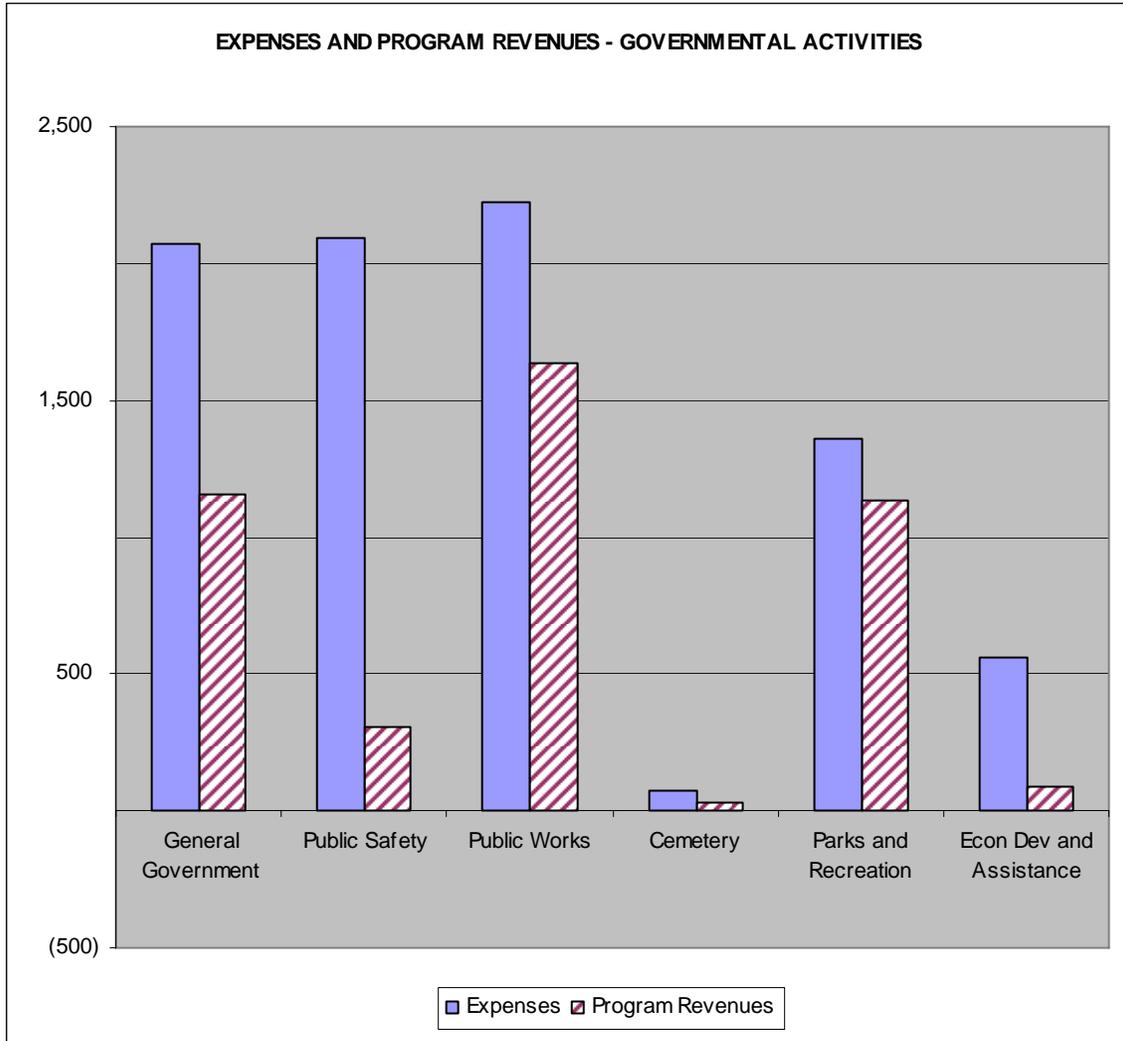
Unrestricted net assets for the governmental activities increased \$3,161 or 38%. The majority of this increase was due to increased sales tax revenues due to expanded retail base and the additional revenues generated from the construction industry due to population growth. Furthermore, due to the expanding economy the construction industry Unrestricted Net Assets in business-type activities increased \$477 or 28%.

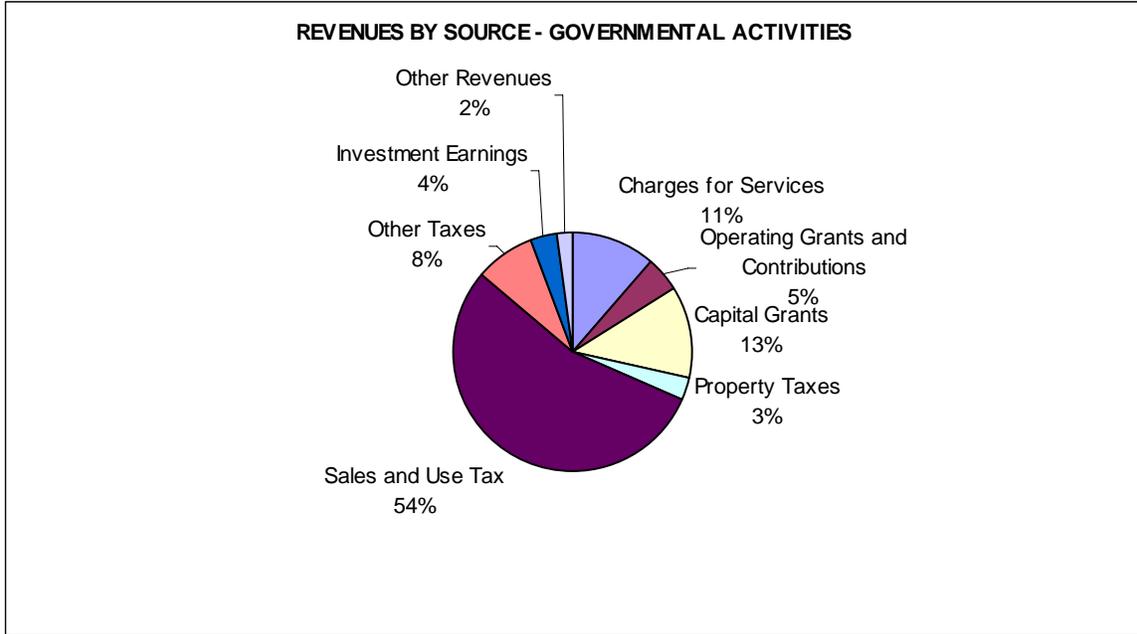
## Changes in Net Assets

The following shows the detail of the City's changes in net assets for the year ended December 31, 2006.

	<b>SUMMARY OF CHANGES IN NET ASSETS</b>					
	<b>For Years Ended December 31, 2006 and 2005</b>					
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005 (Restated)</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005 (Restated)</b>
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 1,706,106	\$ 1,612,995	\$ 4,263,957	\$ 3,150,177	\$ 5,970,063	\$ 4,763,172
Operating grants and contributions	751,334	456,491	-	-	751,334	456,491
Capital grants and contributions	1,898,298	1,328,505	2,230,732	2,085,914	4,129,030	3,414,419
General Revenues:						
Property taxes	448,321	360,659	-	-	448,321	360,659
Sales and use taxes	8,235,345	4,576,695	-	-	8,235,345	4,576,695
Other taxes	1,263,173	1,328,527	-	-	1,263,173	1,328,527
Investment earnings	542,024	166,936	271,932	146,964	813,956	313,900
Other revenues	319,892	(140,087)	16,066	(89,635)	335,958	(229,722)
<b>Total revenues</b>	<b>15,164,493</b>	<b>9,690,721</b>	<b>6,782,687</b>	<b>5,293,420</b>	<b>21,947,180</b>	<b>14,984,141</b>
<b>EXPENSES</b>						
General government	2,069,614	2,022,105	-	-	2,069,614	2,022,105
Public Safety	2,091,242	1,713,324	-	-	2,091,242	1,713,324
Public Works	2,221,406	2,614,956	-	-	2,221,406	2,614,956
Cemetery	71,484	52,417	-	-	71,484	52,417
Parks and recreation	1,362,688	596,468	-	-	1,362,688	596,468
Economic development and assistance	561,285	438,878	-	-	561,285	438,878
Water operations	-	-	2,167,842	1,971,643	2,167,842	1,971,643
Sewer operations	-	-	1,005,625	889,855	1,005,625	889,855
Sanitation operations	-	-	380,642	388,825	380,642	388,825
<b>Total expenses</b>	<b>8,377,719</b>	<b>7,438,148</b>	<b>3,554,109</b>	<b>3,250,323</b>	<b>11,931,828</b>	<b>10,688,471</b>
Increase in net assets before transfers	6,786,774	2,252,573	3,228,578	2,043,097	10,015,352	4,295,670
Transfers	-	(10,000)	-	10,000	-	-
Increase in net assets	6,786,774	2,242,573	3,228,578	2,053,097	10,015,352	4,295,670
Net assets, Beginning of year	30,505,942	28,263,369	25,744,548	23,691,451	56,250,490	51,954,820
<b>Net assets, end of year</b>	<b>\$ 37,292,716</b>	<b>\$ 30,505,942</b>	<b>\$ 28,973,126</b>	<b>\$ 25,744,548</b>	<b>\$ 66,265,842</b>	<b>\$ 56,250,490</b>

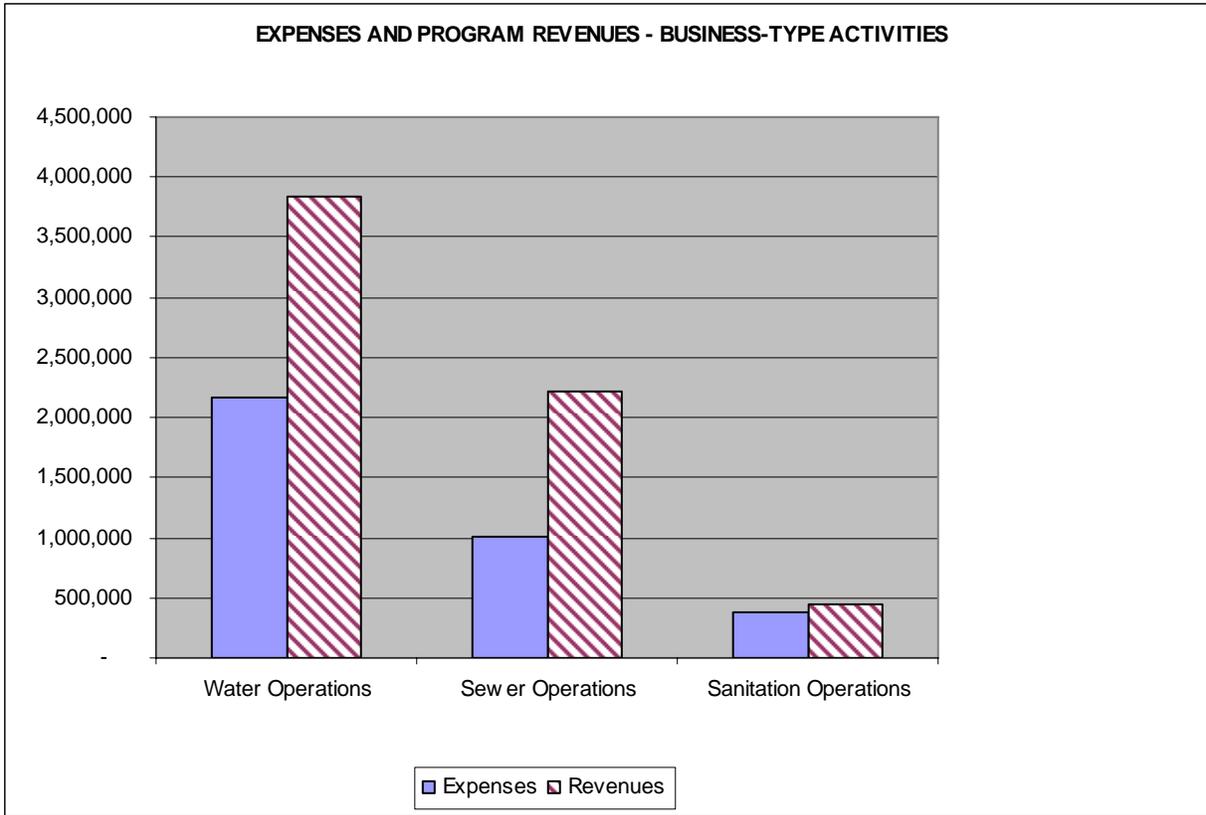
# Governmental Activities



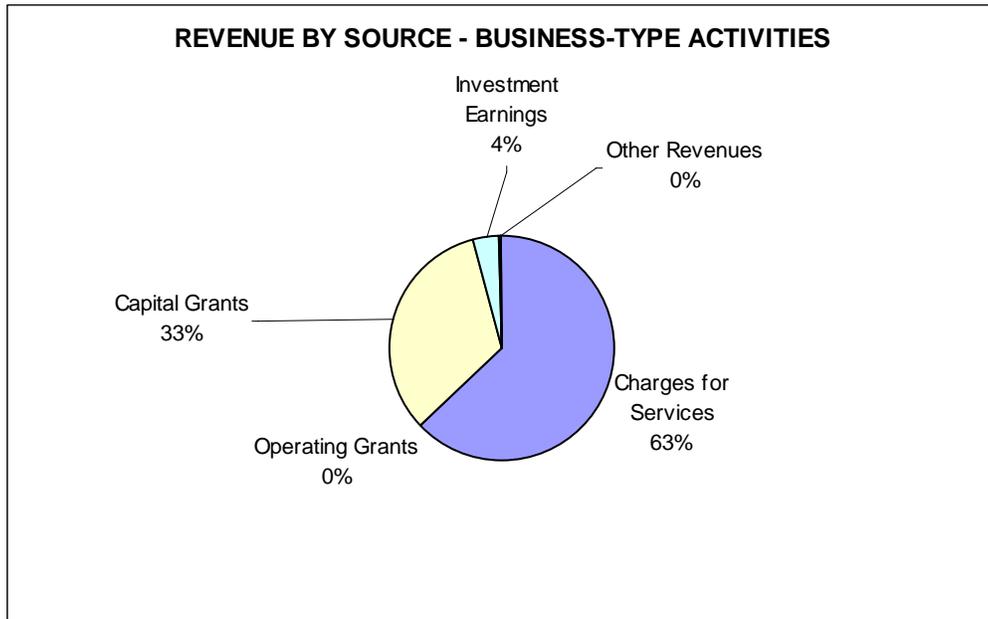


**Business-Type Activities**

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 (63%) 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 \$4,264 for capital assets acquired in 2006 are not reflected in the *Statement of Activities*.

At year-end 2006, its governmental funds as reported on the *Balance Sheet – Governmental Funds* (page 3) reported a combined fund balance of \$12,299, an increase of \$3,166 from the prior year. The General Fund balance increased \$1,328 or 49.7%. The Street Improvement Fund balance increased \$837 or 22% and the Parks and Recreation Fund balance increased \$903. The Parks and Recreation Fund is a new fund for 2006.

The General Fund unreserved, undesignated fund balance at December 31, 2006 was \$3,324 or 49% of annual expenditures. This is an increase of \$1,419 from the prior year. The increase in fund balance was primarily due to increased revenues from economic growth and management monitoring and maintaining expenditures during the year.

General Fund revenues increased by a net amount of \$1,282 primarily due to increased sales taxes, building and motor vehicle use taxes, and license and permit revenues.

General Fund expenditures increased \$798 in 2006 largely because of increased salary and benefit costs and capital outlay.

The Street Improvement Fund revenues increased \$186 in 2006 primarily due to sales and use tax revenue, special assessment, and street impact fee increases.

The Street Improvement Fund's expenditures vary depending on planned public work projects. In 2006, the City completed traffic signal upgrades along Railroad Avenue (\$183); road improvement projects including: Main Street Enhancement (\$26); as well as various chip/seal and other maintenance projects. Capital outlay expenditures totaled \$646.

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 \$3,229 for all proprietary funds. The majority of net assets (79%) are invested in capital assets.

**ENTERPRISE FUND NET ASSETS**  
**December 31, 2006 and 2005**  
**In Thousands of Dollars**

	<u>Water</u>		<u>Sewer</u>		<u>Sanitation</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Investment in capital assets net of related debt	\$ 14,726	\$ 13,063	\$ 8,007	\$ 6,958	\$ 239	\$ 106	\$ 22,972	\$ 20,127
Restricted	2,057	1,985	1,772	1,938	-	-	3,829	3,923
Unrestricted	<u>963</u>	<u>875</u>	<u>907</u>	<u>472</u>	<u>302</u>	<u>348</u>	<u>2,172</u>	<u>1,695</u>
<b>Total net assets</b>	<b>\$ 17,746</b>	<b>\$ 15,923</b>	<b>\$ 10,686</b>	<b>\$ 9,368</b>	<b>\$ 541</b>	<b>\$ 454</b>	<b>\$ 28,973</b>	<b>\$ 25,745</b>

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 increased tap fees in 2006 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 (\$767 in Water and \$745 in Sewer). Both funds also received funding from energy impact grants from the State of Colorado Division of Local Government. In 2006, the Water and Sewer funds received \$163 and \$516 respectively in grant funds for infrastructure replacements.

In 2006, all of the proprietary funds had a positive net income. The Water Fund had net income of \$1,824; and the Sewer Fund had net income of \$1,317; Sanitation net income was \$88.

Total unrestricted net assets increased \$477 in 2006. The Water Fund's unrestricted net assets increased \$88, the Sewer Fund's unrestricted net assets increased \$435 and the Sanitation Fund's unrestricted net assets decreased \$46.

**General Fund Budgetary Highlights**

General Fund Revenues were strong in 2006, primarily due to a larger than projected increase in sales taxes and fees associated with the construction industry. Total actual revenues were 30% greater than the budgeted amount. Expenditures were under budget, by about 18%. 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 \$675,000 from the General Fund to the Capital Fund. This leaves a healthy fund balance of approximately 49% of expenditures, and provides much needed funding for infrastructure projects.

**Capital Asset and Debt Administration**

Capital assets – At the end of 2006, the City had \$54,854 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 14% - a 14% increase for governmental activities and a 15% increase in business-type activities.

**CAPITAL ASSETS AT YEAR-END**  
**(Net of Depreciation)**  
**As of December 31, 2006 and 2005**  
**In Thousands of Dollars**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Land & Rights	\$ 2,806	\$ 2,202	\$ 1,706	\$ 1,176	\$ 4,512	\$ 3,378
Buildings	2,504	906	5,003	3,805	7,507	4,711
Improvements	22,060	21,100	18,462	17,711	40,522	38,811
Equipment	967	597	1,346	421	2,313	1,018
<b>Total</b>	<b>\$ 28,337</b>	<b>\$ 24,805</b>	<b>\$ 26,517</b>	<b>\$ 23,113</b>	<b>\$ 54,854</b>	<b>\$ 47,918</b>

The major changes in the capital assets activity include:

- Acquisition of 800 new water meters in the Water Fund for \$843.
- Water infrastructure improvements at \$46.
- A Sewer Interconnect was installed linking the North and South plant at \$1,035.
- In the General Fund, a historic landmark-movie theatre was purchased for \$317.
- A skate park was constructed at a cost of \$390.
- Parkland improvements and/or trails were constructed at a cost of \$370.
- Parks and equipment improvements at \$512.
- Land purchase, development/improvements on the Joyce property at \$605.
- Capital outlay's replacing and/or improving furniture and equipment.

**Debt administration** – At the end of 2006, the City of Rifle had a balance of \$7,452 outstanding in revenue bonds, revenue notes payable, notes payable and capital leases. The City issued \$836 of new capital leases for water meter retrofits, and the City repaid \$429 of its outstanding obligations.

The City has no general obligation debt at this time.

<b>OUTSTANDING DEBT</b>						
<b>Years Ended December 31, 2006 and 2005</b>						
<b>In Thousands of Dollars</b>						
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Revenue bonds and notes payable	\$ 3,600	\$ 2,708	\$ 3,845	\$ 2,986	\$ 7,445	\$ 5,694
Capital leases	1	-	6	-	7	-
<b>Total</b>	<b>\$ 3,601</b>	<b>\$ 2,708</b>	<b>\$ 3,851</b>	<b>\$ 2,986</b>	<b>\$ 7,452</b>	<b>\$ 5,694</b>

### **Economic Factors and Next Year's Budget and Rates**

The demand on City services has kept pace with recent growth trends. Many City department budgets have grown by double digits the past five years and therefore, increased revenues continue to be needed to support this growth.

Capital project demands have been and will continue to remain at an all time high as the City grapples with the need to address many lean years of deferred maintenance with more recent growth years and the needs that have resulted.

The City will need to focus on capital and service needs in the near future and must position itself to contend with the impacts of energy development and especially oil shale, if that should occur.

Sales and Use tax revenues showed strong growth in 2006. Sales tax revenue grew by about 19% in 2006, compared to the prior year. In 2007, sales tax revenues are up about 21% over the same period in 2006.

There are a number of large capital projects budgeted or under development in 2007. A new Police Justice Center to house Police and Courts is in the planning stages with an estimated cost of \$4.3 million. Construction is expected to start in July 2007. In the Parks and Recreation fund 2007 capital projects are estimated at \$1.2 million.

In the proprietary funds, Wastewater needs a new plant to be under construction within 18 months. Sewer user rates are expected to increase in April 2007 to help fund the debt service of the new plant. The anticipated cost of this project is approximately \$23.5 million and estimated construction start date is Fall 2007.

### **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.

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## **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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general, street improvement, parks and recreation 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 23, 2007

## ***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, 2006.

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CITY OF RIFLE, COLORADO

**STATEMENT OF NET ASSETS**

December 31, 2006

	2006		Total
	Governmental Activities	Business - Type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 7,959,157	\$ 1,669,702	\$ 9,628,859
Property Taxes Receivable	470,226	-	470,226
Special Assessments Receivable	371,132	-	371,132
Other Receivable	1,105,543	352,316	1,457,859
Interest Receivable	28,464	-	28,464
Prepaid Expenses	65,116	94,956	160,072
Due from Other Governments	879,449	500,000	1,379,449
Inventory	19,912	155,740	175,652
<b>TOTAL CURRENT ASSETS</b>	<b>10,898,999</b>	<b>2,772,714</b>	<b>13,671,713</b>
<b>NONCURRENT ASSETS</b>			
Capital Assets, net	28,336,622	26,516,608	54,853,230
Restricted Cash	4,020,628	3,829,209	7,849,837
Debt Issuance Costs	129,337	8,131	137,468
<b>TOTAL NONCURRENT ASSETS</b>	<b>32,486,587</b>	<b>30,353,948</b>	<b>62,840,535</b>
<b>TOTAL ASSETS</b>	<b>43,385,586</b>	<b>33,126,662</b>	<b>76,512,248</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	1,029,496	404,356	1,433,852
Accrued Wages & Comp. Absences	301,023	64,318	365,341
Accrued Interest Payable	10,763	32,970	43,733
Deposits	286,728	107,471	394,199
Deferred Revenue	841,358	-	841,358
Current Portion - Long Term Debt	251,178	203,670	454,848
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,720,546</b>	<b>812,785</b>	<b>3,533,331</b>
<b>NONCURRENT LIABILITIES</b>			
Bonds Payable	3,350,000	-	3,350,000
Bond Premiums	22,324	-	22,324
Notes Payable	-	2,418,524	2,418,524
Capital Leases Payable	-	922,227	922,227
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,372,324</b>	<b>3,340,751</b>	<b>6,713,075</b>
<b>TOTAL LIABILITIES</b>	<b>6,092,870</b>	<b>4,153,536</b>	<b>10,246,406</b>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	24,736,622	22,972,187	47,708,809
Restricted:			
for Debt Service	-	3,232,142	3,232,142
by Statute	279,363	-	279,363
for Capital Improvements	877,674	597,067	1,474,741
Unrestricted	11,399,057	2,171,730	13,570,787
<b>TOTAL NET ASSETS</b>	<b>\$ 37,292,716</b>	<b>\$ 28,973,126</b>	<b>\$ 66,265,842</b>

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

CITY OF RIFLE, COLORADO

**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
Governmental Activities				
Current:				
General Government	\$ 2,069,614	\$ 1,144,712	\$ 8,950	\$ -
Public Safety	2,091,242	275,438	33,735	-
Public Works	2,221,406	4,841	391,061	1,241,895
Cemetery	71,484	24,081	4,603	-
Parks and Recreation	1,362,688	183,561	300,276	652,732
Economic Development and Assistance	561,285	73,473	12,709	3,671
TOTAL GOVERNMENTAL ACTIVITIES	<u>8,377,719</u>	<u>1,706,106</u>	<u>751,334</u>	<u>1,898,298</u>
Business - Type Activities				
Current:				
Water Operations	2,167,842	2,862,421	-	969,305
Sewer Operations	1,005,625	949,281	-	1,261,427
Sanitation Operations	380,642	452,255	-	-
TOTAL BUSINESS - TYPE ACTIVITIES	<u>3,554,109</u>	<u>4,263,957</u>	<u>-</u>	<u>2,230,732</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 11,931,828</u>	<u>\$ 5,970,063</u>	<u>\$ 751,334</u>	<u>\$ 4,129,030</u>
GENERAL REVENUES				
Property Taxes				
Sales and Use Taxes				
Other Taxes				
Investment Earnings				
Other Revenues				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET ASSETS				
NET ASSETS - Beginning of Year				
PRIOR PERIOD ADJUSTMENT				
NET ASSETS - Beginning of Year (As Restated)				
NET ASSETS - End of Year				

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

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

<b>PRIMARY GOVERNMENT</b>		
<b>GOVERNMENT ACTIVITIES</b>	<b>BUSINESS - TYPE ACTIVITES</b>	<b>TOTAL</b>
\$ (915,952)	\$ -	\$ (915,952)
(1,782,069)	-	(1,782,069)
(583,609)	-	(583,609)
(42,800)	-	(42,800)
(226,119)	-	(226,119)
(471,432)	-	(471,432)
<u>(4,021,981)</u>	<u>-</u>	<u>(4,021,981)</u>
-	1,663,884	1,663,884
-	1,205,083	1,205,083
-	71,613	71,613
<u>-</u>	<u>2,940,580</u>	<u>2,940,580</u>
<u>(4,021,981)</u>	<u>2,940,580</u>	<u>(1,081,401)</u>
448,321	-	448,321
8,235,345	-	8,235,345
1,263,173	-	1,263,173
542,024	271,932	813,956
319,892	16,066	335,958
<u>10,808,755</u>	<u>287,998</u>	<u>11,096,753</u>
6,786,774	3,228,578	10,015,352
30,323,864	25,744,548	56,068,412
182,078	-	182,078
<u>30,505,942</u>	<u>25,744,548</u>	<u>56,250,490</u>
<u>\$ 37,292,716</u>	<u>\$ 28,973,126</u>	<u>\$ 66,265,842</u>

CITY OF RIFLE, COLORADO

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 December 31, 2006  
 With Comparative Totals for December 31, 2005

	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>CAPITAL</u>	<u>PARKS &amp; RECREATION</u>
<b>ASSETS</b>				
Cash and Investments	\$ 3,704,207	\$ 1,585,739	\$ 1,580,397	\$ 700,713
Property Taxes Receivable	436,088	-	-	-
Special Assessments Receivable	3,202	367,930	-	-
Other Receivable	661,393	140,448	-	280,507
Interest Receivable	28,464	-	-	-
Prepaid Expenses	55,737	9	-	8,011
Advance to Other Funds	67,597	-	180,000	-
Due from Other Governments	87,193	-	792,000	-
Restricted Cash and Investments	355,954	3,473,023	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,399,835</u>	<u>\$ 5,567,149</u>	<u>\$ 2,552,397</u>	<u>\$ 989,231</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 413,923	\$ 205,804	\$ 329,535	\$ 46,723
Accrued Wages & Comp. Absences	260,157	236	-	39,134
Deposits	286,728	-	-	-
Advances from Other Funds	-	402,400	-	-
Deferred Revenue	439,290	367,930	-	-
<b>TOTAL LIABILITIES</b>	<u>1,400,098</u>	<u>976,370</u>	<u>329,535</u>	<u>85,857</u>
<b>FUND BALANCE</b>				
Reserved for:				
Interfund Advances	67,597	-	180,000	-
Prepays	55,737	9	-	8,011
Community Television	-	-	-	-
Parking Development	-	-	-	-
Rifle Mountain Park	13,813	-	-	-
Senior Center Improvements	44,814	-	-	-
Regional Drainage	7,700	-	-	-
Impact Fees	-	412,782	-	-
Parkland Dedication	206,914	-	-	-
Seizure Expenditures	-	-	-	-
Emergencies	279,363	-	-	-
Unreserved reported in				
General Fund				
Undesignated	3,323,799	-	-	895,363
Special Revenue Funds	-	4,177,988	2,042,862	-
<b>TOTAL FUND BALANCE</b>	<u>3,999,737</u>	<u>4,590,779</u>	<u>2,222,862</u>	<u>903,374</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 5,399,835</u>	<u>\$ 5,567,149</u>	<u>\$ 2,552,397</u>	<u>\$ 989,231</u>

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.

OTHER GOVERNMENTAL FUNDS	TOTALS	
	2006	2005
\$ 409,865	\$ 7,980,921	\$ 5,330,971
34,138	470,226	449,505
-	371,132	428,774
23,195	1,105,543	575,857
-	28,464	33,422
4	63,761	102,210
222,400	469,997	533,697
256	879,449	204,768
12,319	3,841,296	3,866,212
<u>\$ 702,177</u>	<u>\$ 15,210,789</u>	<u>\$ 11,525,416</u>

\$ 18,579	\$ 1,014,564	\$ 610,788
-	299,527	257,958
-	286,728	112,171
67,597	469,997	533,697
34,138	841,358	878,279
<u>120,314</u>	<u>2,912,174</u>	<u>2,392,893</u>

222,400	469,997	533,697
4	63,761	102,210
-	-	-
12,319	12,319	12,319
-	13,813	13,292
-	44,814	42,529
-	7,700	5,950
-	412,782	412,782
-	206,914	239,606
-	-	3,026
-	279,363	279,363
-	4,219,162	1,905,231
347,140	6,567,990	5,582,518
<u>581,863</u>	<u>12,298,615</u>	<u>9,132,523</u>
<u>\$ 702,177</u>	<u>\$ 15,210,789</u>	<u>\$ 11,525,416</u>

\$ 12,298,615

42,613,843  
(14,732,348)

-

(3,600,000)  
(1,178)  
(22,324)  
129,337  
(10,763)

617,534

\$ 37,292,716

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	<u>GENERAL</u>	<u>STREET IMPROVEMENT</u>	<u>CAPITAL</u>	<u>PARKS &amp; RECREATION</u>
REVENUES				
Taxes	\$ 5,148,882	\$ 1,143,745	\$ -	\$ 2,272,502
Special Assessments	4,388	73,256	-	-
Licenses and Permits	339,489	-	-	-
Intergovernmental	1,831,767	41,967	792,000	141,892
Charges for Services	587,937	406,178	-	183,651
Fines and Forfeitures	153,388	-	-	-
Miscellaneous	541,049	217,398	285,927	53,220
TOTAL REVENUES	<u>8,606,900</u>	<u>1,882,544</u>	<u>1,077,927</u>	<u>2,651,265</u>
EXPENDITURES				
General Government	2,036,462	-	-	-
Public Safety	2,055,428	-	-	-
Public Works	960,778	11,412	-	-
Cemetery	67,979	-	-	-
Parks and Recreation	-	-	-	1,157,627
Economic Development and Assistance	296,477	-	-	-
Capital Outlay	1,300,336	645,958	1,766,570	577,307
Debt Service	4,764	387,812	-	-
TOTAL EXPENDITURES	<u>6,722,224</u>	<u>1,045,182</u>	<u>1,766,570</u>	<u>1,734,934</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>1,884,676</u>	<u>837,362</u>	<u>(688,643)</u>	<u>916,331</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	162,957	-	675,000	150,000
Transfer Out	(720,000)	-	-	(162,957)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(557,043)</u>	<u>-</u>	<u>675,000</u>	<u>(12,957)</u>
CHANGE IN FUND BALANCES	1,327,633	837,362	(13,643)	903,374
FUND BALANCE, Beginning	<u>2,672,104</u>	<u>3,753,417</u>	<u>2,236,505</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 3,999,737</u>	<u>\$ 4,590,779</u>	<u>\$ 2,222,862</u>	<u>\$ 903,374</u>

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

OTHER GOVERNMENTAL FUNDS	TOTALS	
	2006	2005
\$ 225,883	\$ 8,791,012	\$ 5,062,791
-	77,644	36,609
-	339,489	236,598
220,092	3,027,718	2,370,759
300	1,178,066	980,541
-	153,388	108,694
26,048	1,123,642	565,397
<u>472,323</u>	<u>14,690,959</u>	<u>9,361,389</u>
-	2,036,462	1,861,104
-	2,055,428	1,706,901
-	972,190	794,025
-	67,979	46,940
-	1,157,627	856,895
247,574	544,051	508,231
6,593	4,296,764	1,953,685
1,790	394,366	386,333
<u>255,957</u>	<u>11,524,867</u>	<u>8,114,114</u>
<u>216,366</u>	<u>3,166,092</u>	<u>1,247,275</u>
45,000	1,032,957	1,212,464
(150,000)	(1,032,957)	(1,622,464)
<u>(105,000)</u>	<u>-</u>	<u>(410,000)</u>
111,366	3,166,092	837,275
<u>470,497</u>	<u>9,132,523</u>	<u>8,295,248</u>
<u>\$ 581,863</u>	<u>\$ 12,298,615</u>	<u>\$ 9,132,523</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, 2006

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

Net Change in Fund Balances - Total Governmental Funds	\$ 3,166,092
Principal payments on debt are reported as expenditures in the funds:	
Principal Payments on Outstanding Debt:	
Revenue Bonds Payable	245,000
Capital Leases Payable	4,581
Interest, issuance costs and bond premiums are reported on the cash basis in the funds:	
Change in Accrued Interest Payable	408
Amortization of Premiums	1,880
Amortization of Issuance Costs	(10,892)
Purchases of capital assets are expensed in governmental funds and depreciated on the statement of activities:	
Purchased Capitalized Assets	4,263,577
Dedicated Capitalized Assets	324,961
Depreciation Expense	(1,357,406)
Internal Service Funds are blended into Governmental Activities:	
Fleet Maintenance Fund Change in Net Assets	148,573
Change in Net Assets - Governmental Activities	<u>\$ 6,786,774</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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006				2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES					
Taxes	\$ 4,143,642	\$ 4,228,910	\$ 5,148,882	\$ 919,972	\$ 4,040,116
Special Assessments	3,530	3,530	4,388	858	4,324
Licenses and Permits	186,500	186,500	339,489	152,989	236,598
Intergovernmental	1,434,673	1,361,768	1,831,767	469,999	1,819,410
Charges for Services	487,115	487,115	587,937	100,822	729,718
Fines and Forfeitures	114,100	114,100	153,388	39,288	108,694
Miscellaneous	235,250	235,250	541,049	305,799	385,730
TOTAL REVENUES	<u>6,604,810</u>	<u>6,617,173</u>	<u>8,606,900</u>	<u>1,989,727</u>	<u>7,324,590</u>
EXPENDITURES					
General Government	1,990,920	2,163,920	2,036,462	127,458	1,861,104
Public Safety	1,926,699	1,926,699	2,055,428	(128,729)	1,706,901
Public Works	887,725	887,725	960,778	(73,053)	778,770
Cemetery	66,253	66,253	67,979	(1,726)	46,940
Parks and Recreation	-	-	-	-	856,895
Economic Development and Assistance	292,191	385,331	296,477	88,854	284,080
Capital Outlay	1,270,294	1,520,308	1,300,336	219,972	324,856
Debt Service	40,544	40,544	4,764	35,780	64,968
TOTAL EXPENDITURES	<u>6,474,626</u>	<u>6,990,780</u>	<u>6,722,224</u>	<u>268,556</u>	<u>5,924,514</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>130,184</u>	<u>(373,607)</u>	<u>1,884,676</u>	<u>2,258,283</u>	<u>1,400,076</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	192,957	192,957	162,957	(30,000)	20,750
Transfers Out	(520,000)	(720,000)	(720,000)	-	(1,591,714)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(327,043)</u>	<u>(527,043)</u>	<u>(557,043)</u>	<u>(30,000)</u>	<u>(1,570,964)</u>
CHANGE IN FUND BALANCE	(196,859)	(900,650)	1,327,633	2,228,283	(170,888)
FUND BALANCE, Beginning	<u>2,672,104</u>	<u>2,672,104</u>	<u>2,672,104</u>	<u>-</u>	<u>2,842,992</u>
FUND BALANCE, Ending	<u>\$ 2,475,245</u>	<u>\$ 1,771,454</u>	<u>\$ 3,999,737</u>	<u>\$ 2,228,283</u>	<u>\$ 2,672,104</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006			2005 ACTUAL
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Taxes	\$ 851,318	\$ 1,143,745	\$ 292,427	\$ 850,425
Special Assessments	41,588	73,256	31,668	32,285
Intergovernmental	884,500	41,967	(842,533)	428,770
Charges for Services	369,000	406,178	37,178	250,823
Miscellaneous	40,000	217,398	177,398	133,824
TOTAL REVENUES	<u>2,186,406</u>	<u>1,882,544</u>	<u>(303,862)</u>	<u>1,696,127</u>
EXPENDITURES				
Public Works	20,528	11,412	9,116	15,255
Capital Outlay	3,755,000	645,958	3,109,042	1,627,529
Debt Service	379,051	387,812	(8,761)	319,212
TOTAL EXPENDITURES	<u>4,154,579</u>	<u>1,045,182</u>	<u>3,109,397</u>	<u>1,961,996</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(1,968,173)	837,362	2,805,535	(265,869)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(50,300)	-	50,300	(10,000)
CHANGE IN FUND BALANCE	(2,018,473)	837,362	2,855,835	(275,869)
FUND BALANCE, Beginning	<u>3,753,417</u>	<u>3,753,417</u>	<u>-</u>	<u>4,029,286</u>
FUND BALANCE, Ending	<u>\$ 1,734,944</u>	<u>\$ 4,590,779</u>	<u>\$ 2,855,835</u>	<u>\$ 3,753,417</u>

The accompanying notes are an integral part of the financial statements

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE  
CAPITAL FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006			VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Intergovernmental	\$ 880,000	\$ 880,000	\$ 792,000	\$ (88,000)	\$ 88,000
Miscellaneous	<u>40,000</u>	<u>40,000</u>	<u>285,927</u>	<u>245,927</u>	<u>33,561</u>
TOTAL REVENUES	<u>920,000</u>	<u>920,000</u>	<u>1,077,927</u>	<u>157,927</u>	<u>121,561</u>
EXPENDITURES					
Capital Outlay	<u>1,500,000</u>	<u>2,000,000</u>	<u>1,766,570</u>	<u>233,430</u>	<u>-</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(580,000)	(1,080,000)	(688,643)	391,357	121,561
OTHER FINANCING SOURCES (USES)					
Transfers In	<u>450,000</u>	<u>650,000</u>	<u>675,000</u>	<u>25,000</u>	<u>1,191,714</u>
CHANGE IN FUND BALANCE	(130,000)	(430,000)	(13,643)	416,357	1,313,275
FUND BALANCE, Beginning	<u>2,236,505</u>	<u>2,236,505</u>	<u>2,236,505</u>	<u>-</u>	<u>923,230</u>
FUND BALANCE, Ending	<u>\$ 2,106,505</u>	<u>\$ 1,806,505</u>	<u>\$ 2,222,862</u>	<u>\$ 416,357</u>	<u>\$ 2,236,505</u>

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

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CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON STATEMENT FOR THE**  
**PARKS & RECREATION FUND**  
 Year Ended December 31, 2006

	2006			VARIANCE WITH FINAL BUDGET FAV (UNFAV)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 1,700,050	\$ 1,700,050	\$ 2,272,502	\$ 572,452
Intergovernmental	-	142,376	141,892	(484)
Charges for Services	179,850	179,850	183,651	3,801
Miscellaneous	32,650	58,650	53,220	(5,430)
TOTAL REVENUES	<u>1,912,550</u>	<u>2,080,926</u>	<u>2,651,265</u>	<u>570,339</u>
EXPENDITURES				
Parks and Recreation	1,052,746	1,052,746	1,157,627	(104,881)
Capital Outlay	765,068	802,584	577,307	225,277
Debt Service	24,402	24,402	-	24,402
TOTAL EXPENDITURES	<u>1,842,216</u>	<u>1,879,732</u>	<u>1,734,934</u>	<u>144,798</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	70,334	201,194	916,331	425,541
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	150,000	150,000	-
Transfers Out	<u>(162,957)</u>	<u>(162,957)</u>	<u>(162,957)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USE)	<u>(12,957)</u>	<u>(12,957)</u>	<u>(12,957)</u>	<u>-</u>
CHANGE IN FUND BALANCE	57,377	188,237	903,374	425,541
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 57,377</u>	<u>\$ 188,237</u>	<u>\$ 903,374</u>	<u>\$ 425,541</u>

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

CITY OF RIFLE, COLORADO

**STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS**

December 31, 2006

With Comparative Totals for December 31, 2005

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER</b>	<b>SEWER</b>	<b>SANITATION</b>	<b>TOTAL</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 759,721	\$ 632,374	\$ 277,607	\$ 1,669,702
Other Receivable	217,489	87,916	46,911	352,316
Prepaid Expenses	90,095	3,831	1,030	94,956
Due from Other Governments	-	500,000	-	500,000
Inventory	143,335	12,405	-	155,740
<b>TOTAL CURRENT ASSETS</b>	<b>1,210,640</b>	<b>1,236,526</b>	<b>325,548</b>	<b>2,772,714</b>
<b>PROPERTY AND EQUIPMENT</b>	<b>24,577,132</b>	<b>12,907,541</b>	<b>367,382</b>	<b>37,852,055</b>
Less Accumulated Depreciation	(6,723,237)	(4,484,177)	(128,033)	(11,335,447)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>17,853,895</b>	<b>8,423,364</b>	<b>239,349</b>	<b>26,516,608</b>
<b>OTHER ASSETS</b>				
Restricted Cash and Investments	2,056,762	1,772,447	-	3,829,209
Loan Costs	8,131	-	-	8,131
<b>TOTAL OTHER ASSETS</b>	<b>2,064,893</b>	<b>1,772,447</b>	<b>-</b>	<b>3,837,340</b>
<b>TOTAL ASSETS</b>	<b>21,129,428</b>	<b>11,432,337</b>	<b>564,897</b>	<b>33,126,662</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	103,899	285,849	14,608	404,356
Accrued Wages & Comp. Absences	44,199	11,317	8,802	64,318
Accrued Interest Payable	26,024	6,946	-	32,970
Deposits	81,694	25,777	-	107,471
Current Portion - Long Term Debt	162,106	41,564	-	203,670
<b>TOTAL CURRENT LIABILITIES</b>	<b>417,922</b>	<b>371,453</b>	<b>23,410</b>	<b>812,785</b>
<b>LONG-TERM LIABILITIES</b>				
Bonds Payable	-	-	-	-
Notes Payable	2,043,340	375,184	-	2,418,524
Capital Leases Payable	922,227	-	-	922,227
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,965,567</b>	<b>375,184</b>	<b>-</b>	<b>3,340,751</b>
<b>TOTAL LIABILITIES</b>	<b>3,383,489</b>	<b>746,637</b>	<b>23,410</b>	<b>4,153,536</b>
<b>NET ASSETS</b>				
Invested in Capital Assets Net of Related Debt	14,726,222	8,006,616	239,349	22,972,187
Restricted				
For Capital Improvement	1,459,695	1,772,447	-	3,232,142
For Debt Service	597,067	-	-	597,067
Unrestricted	962,955	906,637	302,138	2,171,730
<b>TOTAL NET ASSETS</b>	<b>\$ 17,745,939</b>	<b>\$ 10,685,700</b>	<b>\$ 541,487</b>	<b>\$ 28,973,126</b>

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

GOVERNMENTAL ACTIVITIES	TOTALS	
	2006	2005
INT. SERVICE		
FLEET		
MAINTENANCE		
\$ (21,764)	\$ 1,647,938	\$ 1,144,395
-	352,316	453,334
1,355	96,311	92,746
-	500,000	346,413
19,912	175,652	121,311
(497)	2,772,217	2,158,199
517,822	38,369,877	33,941,712
(62,695)	(11,398,142)	(10,673,476)
455,127	26,971,735	23,268,236
179,332	4,008,541	4,226,109
-	8,131	10,386
179,332	4,016,672	4,236,495
633,962	33,760,624	29,662,930
14,932	419,288	284,356
1,496	65,814	54,056
-	32,970	17,102
-	107,471	107,471
-	203,670	250,907
16,428	829,213	713,892
-	-	-
-	2,418,524	2,574,014
-	922,227	161,515
-	3,340,751	2,735,529
16,428	4,169,964	3,449,421
455,127	23,427,314	20,281,800
179,332	3,411,474	3,766,836
-	597,067	459,273
(16,925)	2,154,805	1,705,600
\$ 617,534	\$ 29,590,660	\$ 26,213,509

CITY OF RIFLE, COLORADO

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

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER</b>	<b>SEWER</b>	<b>SANITATION</b>	<b>TOTAL</b>
OPERATING REVENUES				
Charges for Services	\$ 1,817,173	\$ 931,243	\$ 450,577	\$ 3,198,993
Sale of Materials	136,803	-	-	136,803
Reimbursed Expenditures	816,024	-	-	816,024
Other Revenue	92,421	18,038	1,678	112,137
<b>TOTAL OPERATING REVENUES</b>	<b>2,862,421</b>	<b>949,281</b>	<b>452,255</b>	<b>4,263,957</b>
OPERATING EXPENSES				
Personal Services	596,969	314,358	77,929	989,256
Supplies	287,701	70,542	8,737	366,980
Purchased Services	509,174	187,853	191,746	888,773
Other Expenses	444	240	4,031	4,715
Management Fees	124,563	84,541	32,659	241,763
Fleet Maintenance	27,455	22,994	31,489	81,938
Payment in Lieu of Taxes	-	-	-	-
Acquisition of Capital Assets	-	-	-	-
Depreciation	504,408	299,557	34,051	838,016
<b>TOTAL OPERATING EXPENSES</b>	<b>2,050,714</b>	<b>980,085</b>	<b>380,642</b>	<b>3,411,441</b>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<b>811,707</b>	<b>(30,804)</b>	<b>71,613</b>	<b>852,516</b>
OTHER INCOME (EXPENSE)				
System Improvement Fees	766,700	745,436	-	1,512,136
Dedicated Infrastructure	-	-	-	-
Investment Earnings	143,741	112,262	15,929	271,932
Gain (Loss) on Disposal of Fixed Assets	-	(19)	-	(19)
Cash in Lieu of Fees	39,714	-	-	39,714
State Grants	162,891	515,991	-	678,882
Other Revenues	15,926	159	-	16,085
Interest Expense	(116,090)	(24,323)	-	(140,413)
Other Expenses	(1,038)	(1,217)	-	(2,255)
<b>OTHER INCOME (EXPENSE)</b>	<b>1,011,844</b>	<b>1,348,289</b>	<b>15,929</b>	<b>2,376,062</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>1,823,551</b>	<b>1,317,485</b>	<b>87,542</b>	<b>3,228,578</b>
TRANSFERS				
Transfers In	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>1,823,551</b>	<b>1,317,485</b>	<b>87,542</b>	<b>3,228,578</b>
<b>NET ASSETS, Beginning</b>	<b>15,922,388</b>	<b>9,368,215</b>	<b>453,945</b>	<b>25,744,548</b>
<b>NET ASSETS, Ending</b>	<b>\$ 17,745,939</b>	<b>\$ 10,685,700</b>	<b>\$ 541,487</b>	<b>\$ 28,973,126</b>

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

GOVERNMENTAL ACTIVITIES		TOTALS	
INT. SERVICE			
FLEET			
MAINTENANCE		2006	2005
\$ 434,291		\$ 3,633,284	\$ 2,994,924
-		136,803	109,660
-		816,024	236,136
-		112,137	94,760
<u>434,291</u>		<u>4,698,248</u>	<u>3,435,480</u>
71,735		1,060,991	976,224
162,756		529,736	423,135
22,790		911,563	704,484
-		4,715	5,286
-		241,763	282,415
2,127		84,065	68,099
-		-	64,755
-		-	-
33,917		871,933	827,050
<u>293,325</u>		<u>3,704,766</u>	<u>3,351,448</u>
140,966		993,482	84,032
-		1,512,136	1,126,057
-		-	188,708
8,011		279,943	155,626
-		(19)	(105,725)
-		39,714	40,703
-		678,882	730,446
-		16,085	16,091
(404)		(140,817)	(139,168)
-		(2,255)	(2,864)
<u>7,607</u>		<u>2,383,669</u>	<u>2,009,874</u>
148,573		3,377,151	2,093,906
-		-	410,000
<u>148,573</u>		<u>3,377,151</u>	<u>2,503,906</u>
468,961		26,213,509	23,709,603
<u>\$ 617,534</u>		<u>\$ 29,590,660</u>	<u>\$ 26,213,509</u>

CITY OF RIFLE, COLORADO

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>SANITATION FUND</b>	<b>TOTAL</b>
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 3,175,139	\$ 568,602	\$ 467,648	\$ 4,211,389
Cash Payments to Suppliers and Employees	(1,719,665)	(427,261)	(343,289)	(2,490,215)
Net Cash Provided by Operating Activities	<u>1,455,474</u>	<u>141,341</u>	<u>124,359</u>	<u>1,721,174</u>
Cash Flows From Capital and Related Financing Activities:				
Purchases of Property and Equipment	(2,847,244)	(1,226,261)	(167,895)	(4,241,400)
Proceeds From System Improvement Fees	766,700	745,436	-	1,512,136
Proceeds From Cash in Lieu of Fees	39,714	-	-	39,714
Proceeds From Debt Issuance	-	-	-	-
Proceeds From Grants	162,891	515,991	-	678,882
Principal Payments on Debt	679,551	(121,564)	-	557,987
Interest Payments on Debt	(98,480)	(26,066)	-	(124,546)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,296,868)</u>	<u>(112,464)</u>	<u>(167,895)</u>	<u>(1,577,227)</u>
Cash Flows from Non-Capital Financing Activities:				
Other Revenues	15,926	159	-	16,085
Transfers - Net	-	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>15,926</u>	<u>159</u>	<u>-</u>	<u>16,085</u>
Cash Flows From Investing Activities:				
Investment Income	143,741	112,262	15,929	271,932
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>318,273</b>	<b>141,298</b>	<b>(27,607)</b>	<b>431,964</b>
<b>CASH AND INVESTMENTS, Beginning</b>	<b>2,498,210</b>	<b>2,263,523</b>	<b>305,214</b>	<b>5,066,947</b>
<b>CASH AND INVESTMENTS, Ending</b>	<b>\$ 2,816,483</b>	<b>\$ 2,404,821</b>	<b>\$ 277,607</b>	<b>\$ 5,498,911</b>
Cash and Investments	\$ 759,721	\$ 632,374	\$ 277,607	\$ 1,669,702
Restricted Cash and Investments	2,056,762	1,772,447	-	3,829,209
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 2,816,483</b>	<b>\$ 2,404,821</b>	<b>\$ 277,607</b>	<b>\$ 5,498,911</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 811,707	\$ (30,804)	\$ 71,613	\$ 852,516
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	504,408	299,557	34,051	838,016
(Increase) Decrease in:				
Other Receivable	42,845	42,780	15,393	101,018
Prepaid Expenses	(10,128)	3,208	2,032	(4,888)
Due from Other Governments	269,873	(423,459)	-	(153,586)
Inventory	(42,455)	(8,345)	-	(50,800)
Increase (Decrease) in:				
Accounts Payable	(130,094)	256,394	552	126,852
Accrued Wages & Comp. Absences	9,318	2,010	718	12,046
Deposits	-	-	-	-
Total Adjustments	<u>643,767</u>	<u>172,145</u>	<u>52,746</u>	<u>868,658</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,455,474</b>	<b>\$ 141,341</b>	<b>\$ 124,359</b>	<b>\$ 1,721,174</b>

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

**GOVERNMENTAL  
ACTIVITIES**

<b>INT. SERVICE FLEET MAINTENANCE</b>	<b>TOTAL</b>	
	<b>2006</b>	<b>2005</b>
\$ 434,291	\$ 4,645,680	\$ 3,067,197
(253,835)	(2,744,050)	(2,464,372)
<u>180,456</u>	<u>1,901,630</u>	<u>602,825</u>
(334,052)	(4,575,452)	(2,361,298)
-	1,512,136	1,126,057
-	39,714	40,703
-	-	-
-	678,882	730,446
-	557,987	(249,469)
(404)	(124,950)	(137,980)
<u>(334,456)</u>	<u>(1,911,683)</u>	<u>(851,541)</u>
-	16,085	16,091
-	-	410,000
-	<u>16,085</u>	<u>426,091</u>
8,011	279,943	155,626
(145,989)	285,975	333,001
<u>303,557</u>	<u>5,370,504</u>	<u>5,037,503</u>
<u>\$ 157,568</u>	<u>\$ 5,656,479</u>	<u>\$ 5,370,504</u>
\$ (21,764)	\$ 1,647,938	\$ 1,144,395
179,332	4,008,541	4,226,109
<u>\$ 157,568</u>	<u>\$ 5,656,479</u>	<u>\$ 5,370,504</u>
\$ 140,966	\$ 993,482	\$ 84,032
33,917	871,933	827,050
-	101,018	(46,864)
1,321	(3,567)	(33,229)
-	(153,586)	(346,414)
(3,542)	(54,342)	(54,847)
8,082	134,934	139,730
(288)	11,758	8,372
-	-	24,995
<u>39,490</u>	<u>908,148</u>	<u>518,793</u>
<u>\$ 180,456</u>	<u>\$ 1,901,630</u>	<u>\$ 602,825</u>

CITY OF RIFLE, COLORADO

**STATEMENT OF FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUND**  
**December 31, 2006**  
**With Comparative Totals for December 31, 2005**

	<u>PERPETUAL CARE</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and Investments	<u>\$ 191,063</u>	<u>\$ 186,460</u>
NET ASSETS		
Held In Trust for Cemetery Maintenance	<u>\$ 191,063</u>	<u>\$ 186,460</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, 2006

With Comparative Totals for the Year Ended December 31, 2005

	<u>PERPETUAL CARE</u>	
	<u>2006</u>	<u>2005</u>
ADDITIONS:		
Charges for Services	\$ 4,603	\$ 2,000
NET ASSETS - Beginning	<u>186,460</u>	<u>184,460</u>
NET ASSETS - Ending	<u>\$ 191,063</u>	<u>\$ 186,460</u>

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

## CITY OF RIFLE, COLORADO

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

#### **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, 2006

**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, 2006**

**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.

Parks and Recreation Fund – This fund accounts for the operations of the City's parks and recreation programs. It is partially funded through a 1% sales and use tax assessment.

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The City also reports the following major proprietary funds:

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

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 \$716,154, \$500,00, \$2,198,017, \$37,516 and \$510,200 for the General, Capital, Water, Parks & Recreation and Wastewater 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, 2006**

**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 \$365,341 at December 31, 2006, \$260,157 of which was recorded in the General Fund, \$64,318 in the Enterprise Funds, \$39,370 in the Special Revenue Funds and \$1,496 in the Internal Service Fund.

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2006

**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 follows:

Governmental - Unrestricted	\$ 7,959,157
Business-type - Unrestricted	1,669,702
Governmental - Restricted	4,020,628
Business-type - Restricted	3,829,209
Fiduciary	<u>191,063</u>
Total Cash and Investments	<u>\$ 17,669,759</u>

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

Cash and Deposits	\$ 395,823
Investments	<u>17,273,936</u>
Total Cash and Investments	<u>\$ 17,669,759</u>

CITY OF RIFLE, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**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, 2006, all of the City's bank 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	1,688,705	195,056
Petty Cash	-	767
Total Cash and Deposits	<u>\$ 1,888,705</u>	<u>\$ 395,823</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, 2006**

**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, 2006, the City's investments consisted of the following:

	Fair Value	Weighted Avg. Maturity In Years	% of Portfolio	Rating
U.S. Instrumentalities:				
FNMA	\$ 996,600	0.13	5.8%	AAA
FHLB	3,964,600	2.22	23.0%	AAA
FHLMC	1,946,000	1.77	11.3%	AAA
Local Investment Pools	10,147,650	0.00	58.7%	AAAm
Mutual Funds	<u>219,086</u>	0.00	<u>1.27%</u>	AAA
Total Investments	<u>\$ 17,273,936</u>	0.72	<u>100.0%</u>	

During the year ended December 31, 2006, 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, 2006**

**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 23%, 6%, and 11%, 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, 2006, 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, 2006:

General Fund

Restricted for Senior Center Improvements	\$ 44,814
Restricted for Rifle Mountain Park	13,813
Restricted for Parkland Dedication	206,914
Restricted for Seizure Expenditures	-
Restricted for Pension Matching	82,713
Restricted for Regional Drainage	7,700
Total General Fund	<u>355,954</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	379,152
Total Street Improvement Fund	<u>3,473,023</u>

Downtown Development Agency

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

Fleet Initial Funding	<u>179,332</u>
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**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 3: RESTRICTED CASH** (Continued)

<u>Water Fund</u>	
Restricted for Infrastructure Improvements	1,210,215
Restricted for Water Rights	249,480
Restricted for Operations and Maintenance Reserve	<u>597,067</u>
Total Water Fund	<u>2,056,762</u>
 <u>Sewer Fund</u>	
Restricted for Infrastructure Improvements	1,772,447
Restricted for Bond Principal and Interest Payments	-
Total Sewer Fund	<u>1,772,447</u>
 <b>Total Restricted Cash</b>	 <b><u>\$ 7,849,837</u></b>

**NOTE 4: CHANGES IN CAPITAL ASSETS**

The following schedule presents changes in governmental activities capital assets during 2006:

	<u>Balance</u> <u>12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2006</u>
<b>Governmental Activities:</b>				
Non-depreciable Capital Assets:				
Land	\$ 2,201,650	\$ 778,371	\$(173,776)	\$ 2,806,245
Depreciable Capital Assets:				
Buildings	3,523,429	1,679,140	-	5,202,569
Improvements	30,683,231	2,109,123	-	32,792,354
Equipment	<u>1,800,745</u>	<u>529,731</u>	-	<u>2,330,476</u>
Total Capital Assets	<u>38,209,055</u>	<u>5,096,365</u>	<u>(173,776)</u>	<u>43,131,644</u>
 Less: Accum. Depreciation				
Buildings	(2,617,626)	(81,027)	-	(2,698,653)
Improvements	(9,583,341)	(1,149,174)	-	(10,732,515)
Equipment	<u>(1,202,733)</u>	<u>(161,121)</u>	-	<u>(1,363,854)</u>
Total Accum. Depreciation	<u>(13,403,700)</u>	<u>(1,391,322)</u>	-	<u>(14,795,022)</u>
 <b>Net Capital Assets</b>	 <b><u>\$ 24,805,355</u></b>	 <b><u>\$ 3,705,043</u></b>	 <b><u>\$(173,776)</u></b>	 <b><u>\$ 28,336,622</u></b>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 4: CHANGES IN CAPITAL ASSETS (Continued)**

The following schedule presents business-type activities capital assets at December 31, 2006:

	<b>Balance <u>12/31/2005</u></b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance <u>12/31/2006</u></b>
<b>Business-Type Activities:</b>				
Non-depreciable Capital Assets:				
Land	\$ 680,938	\$ 530,106	\$ -	\$ 1,211,044
Water Rights	495,000	-	-	495,000
Depreciable Capital Assets:				
Buildings	9,128,802	1,560,279	-	10,689,081
Improvements	22,268,011	1,140,734	(1,141)	23,407,604
Equipment	1,185,211	1,027,820	(163,705)	2,049,326
Total Capital Assets	<u>33,757,962</u>	<u>4,258,939</u>	<u>(164,846)</u>	<u>37,852,055</u>
Less: Accum. Depreciation				
Buildings	(5,323,561)	(362,365)	-	(5,685,926)
Improvements	(4,556,798)	(389,695)	1,121	(4,945,372)
Equipment	(764,359)	(85,956)	146,166	(704,149)
Total Accum. Depreciation	<u>(10,644,718)</u>	<u>(838,016)</u>	<u>147,287</u>	<u>(11,335,447)</u>
<b>Net Capital Assets</b>	<b><u>\$ 23,113,244</u></b>	<b><u>\$ 3,420,923</u></b>	<b><u>\$ (17,559)</u></b>	<b><u>\$ 26,516,608</u></b>

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

	<b>Governmental <u>Activities</u></b>		<b>Business-type <u>Activities</u></b>
General Government	\$ 33,969	Water Operations	\$ 504,408
Public Safety	35,814	Sewer Operations	299,557
Public Works	1,075,564	Sanitation Operations	34,051
Cemetery	3,505	<b>Total Depreciation</b>	<b><u>\$ 838,016</u></b>
Parks & Recreation	198,472		
Economic Development	10,082		
Unallocated	-		
<b>Total Depreciation</b>	<b><u>\$ 1,357,406</u></b>		

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**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 vehicle. 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. Lease payments are made by the General Fund.

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

	<u>Balance</u> <u>12/31/05</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/06</u>	<u>Current</u> <u>Portion</u>
2003 Revenue Bonds	\$ 3,845,000	\$ -	\$ 245,000	\$ 3,600,000	\$ 250,000
Capital Lease Payable	5,759	-	4,581	1,178	1,178
<b>Total Obligations</b>	<b>\$ 3,850,759</b>	<b>\$ -</b>	<b>\$ 249,581</b>	<b>\$ 3,601,178</b>	<b>\$ 251,178</b>

Scheduled payments on the bonds are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	280,000	97,876	377,876
2012-2016	1,565,000	327,471	1,892,471
2017-2018	715,000	43,930	758,930
<b>Total</b>	<b>\$ 3,600,000</b>	<b>\$ 943,206</b>	<b>\$ 4,543,206</b>

Scheduled payments on the capital lease are as follows:

<u>Year</u>	<u>Payment</u>
2007	\$ 1,191
4.5% Interest	(13)
<b>Present Value of Payments</b>	<b>\$ 1,178</b>

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

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

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

	<b>Balance 12/31/05</b>	<b>Advances</b>	<b>Repayments</b>	<b>Balance 12/31/06</b>	<b>Current Portion</b>
1997 Revenue Bonds - Sewer	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
2004 DOLA Note - Sewer	458,313	-	41,564	416,749	41,564
2004 Capital Lease - Water	161,514	-	37,764	123,750	37,764
1982 CWCB Note - Water	176,608	-	8,092	168,516	8,092
1998 CWRPDA Loan - Water	715,000	-	55,833	659,167	61,250
2003 CWRPDA Loan - Water	<u>1,395,000</u>	-	<u>55,000</u>	<u>1,340,000</u>	<u>55,000</u>
<b>Total Obligations</b>	<b><u>\$ 2,986,435</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 278,253</u></b>	<b><u>\$ 2,708,182</u></b>	<b><u>\$ 203,670</u></b>

**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. This debt has now fully matured.

**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:

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2007	\$ 71,667	\$ 40,921	\$ 112,588
2008	71,250	33,339	104,589
2009	76,250	28,288	104,538
2010	80,000	23,506	103,506
2011	83,750	18,535	102,285
2012-2014	<u>276,250</u>	<u>22,631</u>	<u>298,881</u>
<b>Total</b>	<b><u>\$ 659,167</u></b>	<b><u>\$ 167,220</u></b>	<b><u>\$ 826,387</u></b>

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

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

**NOTES PAYABLE (Continued)**

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>
2007	\$ 60,833	\$ 49,205	\$ 110,038
2008	65,000	47,935	112,935
2009	65,000	46,311	111,311
2010	65,833	44,652	110,485
2011	70,000	42,773	112,773
2012-2016	372,500	177,848	550,348
2017-2021	452,500	100,186	552,686
2022-2023	188,334	12,329	200,663
<b>Total</b>	<b><u>\$ 1,340,000</u></b>	<b><u>\$ 521,239</u></b>	<b><u>\$ 1,861,239</u></b>

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>
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	9,846	5,310	15,156
2012-2016	55,459	20,321	75,780
2017-2021	67,472	8,307	75,779
<b>Total</b>	<b><u>\$ 168,516</u></b>	<b><u>\$ 58,823</u></b>	<b><u>\$ 227,339</u></b>

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

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

**NOTES PAYABLE (Continued)**

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 Wastewater Fund. Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	53,048	11,432	64,480
2012-2014	175,595	17,845	193,440
<b>Total</b>	<b><u>\$ 416,749</u></b>	<b><u>\$ 99,091</u></b>	<b><u>\$ 515,840</u></b>

**CAPITAL LEASES 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>
2007	\$ 45,000
2008	45,000
2009	45,000
Total Payments	135,000
4.48% Interest	(11,250)
<b>Present Value of Payments</b>	<b><u>\$ 123,750</u></b>

During 2006, the City entered into a capital lease for the retrofitting of the City's water meters. Assets worth \$836,241 were acquired and capitalized. The lease requires forty quarterly payments of \$26,254 beginning February 2007. The lease bears interest at 4.3% per annum. The lease is being repaid by the Water Fund.

<u>Year</u>	<u>Payment</u>
2007	\$ 52,508
2008	105,018
2009	105,018
2010	105,018
2011	105,018
2012-2016	525,089
2017	52,509
Total Payments	1,050,178
4.3% Interest	(213,937)
<b>Present Value of Payments</b>	<b><u>\$ 836,241</u></b>

**CITY OF RIFLE, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 7: INTERFUND TRANSACTIONS**

Following is a summary of advances to and from other funds at December 31, 2006:

	<b>Advance To Other Fund</b>	<b>Advance From Other Funds</b>
General Fund	\$ 67,597	\$ -
Economic Development Fund	222,400	-
Capital Fund	180,000	-
Street Improvement Fund	-	402,400
Rifle Information Center Fund	-	67,597
<b>Totals</b>	<b><u>\$ 469,997</u></b>	<b><u>\$ 469,997</u></b>

The City has recorded the following routine transfers:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 162,957	\$ 720,000
Conservation Trust Fund	-	150,000
Economic Development Fund	25,000	-
Downtown Development Fund	20,000	-
Capital Fund	675,000	-
Parks Fund	150,000	162,957
<b>Totals</b>	<b><u>\$ 1,032,957</u></b>	<b><u>\$ 1,032,957</u></b>

The following funds have made payments to the internal service fund representing maintenance and capital recovery costs:

	<b>Internal Service Charges</b>
General Fund	\$ 267,517
Parks Fund	82,711
Water Fund	27,455
Wastewater Fund	22,994
Sanitation Fund	31,489
Fleet Maintenance Fund	2,127
<b>Total</b>	<b><u>\$ 434,293</u></b>

**CITY OF RIFLE, COLORADO**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2006**

**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 in the fund and then allocated to the activities and functions as required for the government-wide presentation. 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. At December 31, 2006, the Fleet Maintenance Fund has \$179,332 of funds available under this program.

**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 \$949,657. During the year ended December 31, 2006, the City contributed \$118,802, and the employees contributed \$79,852.

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 \$4,064,969 and covered payroll was \$2,744,780 for this plan. For the year ended December 31, 2006, the City contributed \$137,239 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, 2006**

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Enterprise Funds</u>	<u>Maintenance Fund</u>
Total Expenditures -					
GAAP Basis	\$ 2,167,842	\$ 1,005,625	\$ 380,642	\$ 3,554,109	\$ 293,729
Depreciation	(504,408)	(299,557)	(34,051)	(838,016)	-
Debt Service Principal	(679,551)	121,564	-	(557,987)	-
Capital Asset Acquisition	2,833,615	1,226,847	185,435	4,245,897	334,072
<b>Total Expenditures - Budget Basis</b>	<b><u>\$ 3,817,498</u></b>	<b><u>\$ 2,054,479</u></b>	<b><u>\$ 532,026</u></b>	<b><u>\$ 6,404,003</u></b>	<b><u>\$ 627,801</u></b>

**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.

**NOTE 11: PRIOR PERIOD ADJUSTMENTS**

The City has restated its net assets for the governmental activities to reflect the accrued compensated absences that had been reported as a current liability in the fund as well as a long term reconciling item. As of January 1, 2006 net assets have been increased for governmental activities by \$182,078 to remove the long term liability presentation.

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**OTHER SUPPLEMENTARY INFORMATION**

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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.

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.

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

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

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**

December 31, 2006

With Comparative Totals for December 31, 2005

	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>	<u>RIFLE INFORMATION CENTER</u>
<b>ASSETS</b>				
Cash and Investments	\$ 121,724	\$ 164,795	\$ 35,819	\$ 87,527
Property Taxes Receivable	-	-	34,138	-
Other Receivable	-	-	-	23,195
Prepaid Expenses	-	-	4	-
Advance to Other Funds	-	222,400	-	-
Due from Other Governments	-	-	256	-
Restricted Cash and Investments	-	-	12,319	-
<b>TOTAL ASSETS</b>	<u>\$ 121,724</u>	<u>\$ 387,195</u>	<u>\$ 82,536</u>	<u>\$ 110,722</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 17,005	\$ 2,243	\$ (669)
Deposits	-	-	-	-
Advances from Other Funds	-	-	-	67,597
Deferred Revenue	-	-	34,138	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>17,005</u>	<u>36,381</u>	<u>66,928</u>
<b>FUND BALANCE</b>				
Reserved for:				
Interfund Advances	-	222,400	-	-
Parking Development	-	-	12,319	-
Prepays	-	-	4	-
Unreserved reported in Special Revenue Funds	<u>121,724</u>	<u>147,790</u>	<u>33,832</u>	<u>43,794</u>
<b>TOTAL FUND BALANCE</b>	<u>121,724</u>	<u>370,190</u>	<u>46,155</u>	<u>43,794</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 121,724</u>	<u>\$ 387,195</u>	<u>\$ 82,536</u>	<u>\$ 110,722</u>

See the accompanying Independent Auditors' Report.

**TOTALS**

<u>2006</u>	<u>2005</u>
\$ 409,865	\$ 289,988
34,138	34,861
23,195	16,632
4	29
222,400	250,200
256	189
12,319	12,319
<u>\$ 702,177</u>	<u>\$ 604,218</u>
\$ 18,579	\$ 17,783
-	80
67,597	80,997
34,138	34,861
<u>120,314</u>	<u>133,721</u>
222,400	250,200
12,319	12,319
4	29
<u>347,140</u>	<u>207,949</u>
<u>581,863</u>	<u>470,497</u>
<u>\$ 702,177</u>	<u>\$ 604,218</u>

CITY OF RIFLE, COLORADO

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	<u>CONSERVATION TRUST</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>DOWNTOWN DEVELOPMENT</u>	<u>RIFLE INFORMATION CENTER</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 37,275	\$ 188,608
Intergovernmental	220,092	-	-	-
Charges for Services	-	-	300	-
Miscellaneous	6,510	11,743	5,315	2,480
<b>TOTAL REVENUES</b>	<u>226,602</u>	<u>11,743</u>	<u>42,890</u>	<u>191,088</u>
EXPENDITURES				
Economic Development and Assistance	-	94,096	34,035	119,443
Capital Outlay	-	-	6,593	-
Debt Service	-	-	-	1,790
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>94,096</u>	<u>40,628</u>	<u>121,233</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>226,602</u>	<u>(82,353)</u>	<u>2,262</u>	<u>69,855</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	25,000	20,000	-
Transfers Out	(150,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(150,000)</u>	<u>25,000</u>	<u>20,000</u>	<u>-</u>
CHANGE IN FUND BALANCES	76,602	(57,353)	22,262	69,855
FUND BALANCE (DEFICIT), Beginning	<u>45,122</u>	<u>427,543</u>	<u>23,893</u>	<u>(26,061)</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 121,724</u>	<u>\$ 370,190</u>	<u>\$ 46,155</u>	<u>\$ 43,794</u>

See the accompanying Independent Auditors' Report.

**TOTALS**

<u>2006</u>	<u>2005</u>
\$ 225,883	\$ 172,250
220,092	34,579
300	-
<u>26,048</u>	<u>12,282</u>
<u>472,323</u>	<u>219,111</u>
247,574	224,151
6,593	1,300
<u>1,790</u>	<u>2,153</u>
<u>255,957</u>	<u>227,604</u>
<u>216,366</u>	<u>(8,493)</u>
45,000	-
<u>(150,000)</u>	<u>(20,750)</u>
<u>(105,000)</u>	<u>(20,750)</u>
111,366	(29,243)
<u>470,497</u>	<u>499,740</u>
<u>\$ 581,863</u>	<u>\$ 470,497</u>

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
CONSERVATION TRUST FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Intergovernmental	\$ 181,000	\$ 220,092	\$ 39,092	\$ 34,579
Miscellaneous	400	6,510	6,110	782
TOTAL REVENUES	181,400	226,602	45,202	35,361
EXPENDITURES				
Capital Outlay	-	-	-	-
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	181,400	226,602	45,202	35,361
OTHER FINANCING SOURCES (USES)				
Transfers Out	(180,000)	(150,000)	30,000	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	1,400	76,602	75,202	35,361
FUND BALANCE, Beginning	45,122	45,122	-	9,761
FUND BALANCE, Ending	\$ 46,522	\$ 121,724	\$ 75,202	\$ 45,122

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
ECONOMIC DEVELOPMENT FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Miscellaneous	\$ 31,800	\$ 11,743	\$ (20,057)	\$ 5,919
EXPENDITURES				
Economic Development and Assistance	90,000	94,096	(4,096)	84,161
Capital Outlay	-	-	-	1,000
TOTAL EXPENDITURES	90,000	94,096	(4,096)	85,161
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(58,200)	(82,353)	(24,153)	(79,242)
OTHER FINANCING SOURCES (USES)				
Transfers In	25,000	25,000	-	-
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(33,200)	(57,353)	(24,153)	(79,242)
FUND BALANCE, Beginning	427,543	427,543	-	506,785
FUND BALANCE, Ending	\$ 394,343	\$ 370,190	\$ (24,153)	\$ 427,543

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
DOWNTOWN DEVELOPMENT FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Taxes	\$ 35,963	\$ 37,275	\$ 1,312	\$ 27,090
Charges for Services	-	300	300	-
Miscellaneous	4,100	5,315	1,215	4,917
TOTAL REVENUES	40,063	42,890	2,827	32,007
EXPENDITURES				
Economic Development and Assistance	35,130	34,035	1,095	22,689
Capital Outlay	31,000	6,593	24,407	300
Debt Service	-	-	-	47
TOTAL EXPENDITURES	66,130	40,628	25,502	23,036
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(26,067)	2,262	28,329	8,971
OTHER FINANCING SOURCES (USES)				
Transfers In	20,000	20,000	-	-
Transfers Out	-	-	-	(20,750)
TOTAL OTHER FINANCING SOURCES (USES)	20,000	20,000	-	(20,750)
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	(6,067)	22,262	28,329	(11,779)
FUND BALANCE, Beginning	23,893	23,893	-	35,672
FUND BALANCE, Ending	\$ 17,826	\$ 46,155	\$ 28,329	\$ 23,893

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**BUDGETARY COMPARISON SCHEDULE FOR THE  
RIFLE INFORMATION CENTER FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Taxes	\$ 145,483	\$ 188,608	\$ 43,125	\$ 145,160
Miscellaneous	600	2,480	1,880	664
TOTAL REVENUES	146,083	191,088	45,005	145,824
EXPENDITURES				
Economic Development and Assistance	119,573	119,443	130	117,301
Debt Service	15,190	1,790	13,400	2,106
TOTAL EXPENDITURES	134,763	121,233	13,530	119,407
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	11,320	69,855	58,535	26,417
FUND BALANCE (DEFICIT), Beginning	35,385	(26,061)	(61,446)	(52,478)
FUND BALANCE (DEFICIT), Ending	\$ 46,705	\$ 43,794	\$ (2,911)	\$ (26,061)

See the accompanying Independent Auditors' Report.

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## **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.

Wastewater 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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**WATER FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006			2005 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 1,801,569	\$ 1,817,173	\$ 15,604	\$ 1,454,000
Sale of Materials	103,300	136,803	33,503	109,660
Reimbursed Expenditures	30,000	52,814	22,814	46,366
UMTRA Reimbursement	952,980	763,210	(189,770)	189,770
Other Revenue	56,900	92,421	35,521	81,348
System Improvement Fees	737,274	766,700	29,426	572,633
Dedicated Infrastructure	-	-	-	97,291
Investment Earnings	44,000	143,741	99,741	78,816
Gain (Loss) on Disposal of Fixed Assets	-	-	-	(74,135)
Cash in Lieu of Fees	36,000	39,714	3,714	40,703
State Grants	237,891	162,891	(75,000)	192,937
Other Revenues	2,500	15,926	13,426	16,091
Transfers In	-	-	-	10,000
TOTAL REVENUES	4,002,414	3,991,393	(11,021)	2,815,480
EXPENDITURES				
Personal Services	596,630	596,969	(339)	543,386
Supplies	275,000	287,701	(12,701)	233,116
Purchased Services	551,964	509,174	42,790	385,364
Other Operating Expenses	32,500	444	32,056	1,486
Management Fees	124,563	124,563	-	149,733
Fleet Maintenance	35,989	27,455	8,534	28,945
Payment in Lieu of Taxes	-	-	-	35,500
Acquisition of Capital Assets	3,176,500	2,833,615	342,885	1,147,547
Debt Principal	129,342	(679,551)	808,893	132,781
Interest Expense	99,887	116,090	(16,203)	110,564
Other Expenses	1,038	1,038	-	1,038
TOTAL EXPENDITURES	5,023,413	3,817,498	1,205,915	2,769,460
NET INCOME - Budgetary Basis	\$ (1,020,999)	173,895	\$ 1,194,894	46,020
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		2,833,615		1,147,547
Debt Principal		(679,551)		132,781
Depreciation Expense		(504,408)		(482,511)
NET INCOME - GAAP Basis		1,823,551		843,837
NET ASSETS, Beginning		15,922,388		15,078,551
NET ASSETS, Ending		\$ 17,745,939		\$ 15,922,388

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**SEWER FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006			2005 ACTUAL
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	
REVENUES				
Charges for Services	\$ 852,490	\$ 931,243	\$ 78,753	\$ 828,539
Other Operating Revenues	12,500	18,038	5,538	11,597
System Improvement Fees	574,700	745,436	170,736	553,424
Dedicated Infrastructure	-	-	-	91,417
Investment Earnings	65,000	112,262	47,262	60,111
Gain (Loss) on Disposal of Fixed Assets	-	(19)	(19)	(31,590)
State Grants	25,000	515,991	490,991	537,509
Other Revenues	-	159	159	-
<b>TOTAL REVENUES</b>	<b>1,529,690</b>	<b>2,323,110</b>	<b>793,420</b>	<b>2,051,007</b>
EXPENDITURES				
Personal Services	348,891	314,358	34,533	287,762
Supplies	40,000	70,542	(30,542)	36,177
Purchased Services	351,964	187,853	164,111	151,481
Other Operating Expenses	25,000	240	24,760	-
Management Fees	84,541	84,541	-	91,372
Fleet Maintenance	5,594	22,994	(17,400)	7,037
Payment in Lieu of Taxes	-	-	-	19,292
Acquisition of Capital Assets	1,568,216	1,226,847	341,369	1,048,311
Debt Principal	121,740	121,564	176	616,688
Interest Expense	26,162	24,323	1,839	28,352
Other Expenses	1,826	1,217	609	1,826
<b>TOTAL EXPENDITURES</b>	<b>2,573,934</b>	<b>2,054,479</b>	<b>519,455</b>	<b>2,288,298</b>
NET INCOME - Budgetary Basis	<u>\$ (1,044,244)</u>	268,631	<u>\$ 1,312,875</u>	(237,291)
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		1,226,847		1,048,311
Debt Principal		121,564		616,688
Depreciation Expense		(299,557)		(266,556)
NET INCOME - GAAP Basis		1,317,485		1,161,152
NET ASSETS, Beginning		9,368,215		8,207,063
NET ASSETS, Ending		<u>\$ 10,685,700</u>		<u>\$ 9,368,215</u>

See the accompanying Independent Auditors' Report.

CITY OF RIFLE, COLORADO

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**SANITATION FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 432,300	\$ 450,577	\$ 18,277	\$ 427,081
Other Revenue	1,900	1,678	(222)	1,815
Investment Earnings	3,700	15,929	12,229	8,037
TOTAL REVENUES	<u>437,900</u>	<u>468,184</u>	<u>30,284</u>	<u>436,933</u>
EXPENDITURES				
Personal Services	108,987	77,929	31,058	76,747
Supplies	10,000	8,737	1,263	8,403
Purchased Services	203,315	191,746	11,569	159,048
Other Operating Expenses	3,800	4,031	(231)	3,800
Management Fees	32,659	32,659	-	41,310
Fleet Maintenance	39,346	31,489	7,857	32,117
Payment in Lieu of Taxes	-	-	-	9,963
Acquisition of Capital Assets	210,000	185,435	24,565	-
TOTAL EXPENDITURES	<u>608,107</u>	<u>532,026</u>	<u>76,081</u>	<u>331,388</u>
NET INCOME - Budgetary Basis	<u>\$ (170,207)</u>	<u>(63,842)</u>	<u>\$ 106,365</u>	<u>105,545</u>
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		185,435		-
Depreciation Expense		<u>(34,051)</u>		<u>(57,437)</u>
NET INCOME - GAAP Basis		87,542		48,108
NET ASSETS, Beginning		<u>453,945</u>		<u>405,837</u>
NET ASSETS, Ending		<u>\$ 541,487</u>		<u>\$ 453,945</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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

**FLEET MAINTENANCE FUND**

Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006		VARIANCE WITH FINAL BUDGET FAV (UNFAV)	2005 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 459,521	\$ 434,291	\$ (25,230)	\$ 285,304
Investment Earnings	3,000	8,011	5,011	8,662
Transfers In	-	-	-	400,000
TOTAL REVENUES	<u>462,521</u>	<u>442,302</u>	<u>(20,219)</u>	<u>693,966</u>
EXPENDITURES				
Personal Services	74,702	71,735	2,967	68,329
Supplies	154,300	162,756	(8,456)	145,439
Purchased Services	14,865	22,790	(7,925)	8,591
Fleet Maintenance	-	2,127	(2,127)	-
Acquisition of Capital Assets	353,500	334,072	19,428	165,439
Depreciation	2,900	33,917	(31,017)	20,546
Interest Expense	300	404	(104)	252
TOTAL EXPENDITURES	<u>600,567</u>	<u>627,801</u>	<u>(27,234)</u>	<u>408,596</u>
NET INCOME - Budgetary Basis	<u>\$ (138,046)</u>	(185,499)	<u>\$ (47,453)</u>	285,370
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		<u>334,072</u>		<u>165,439</u>
NET INCOME - GAAP Basis		148,573		450,809
NET ASSETS, Beginning		<u>468,961</u>		<u>18,152</u>
NET ASSETS, Ending		<u>\$ 617,534</u>		<u>\$ 468,961</u>

See the accompanying Independent Auditors' Report.

## **STATE COMPLIANCE**

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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: CITY OF RIFLE
	YEAR ENDING : December 2006
This Information From The Records Of (example - City of _ or County of ) CITY OF RIFLE	Prepared By: CHARLES KELTY, FINANCE DIRECTOR Phone: 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
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	603,448
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	478,513
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	4,927
2. General fund appropriations	291,464	b. Snow and ice removal	27,132
3. Other local imposts (from page 2)	1,915,211	c. Other	119,581
4. Miscellaneous local receipts (from page 2)	370,785	d. Total (a. through c.)	151,640
5. Transfers from toll facilities		4. General administration & miscellaneous	159,638
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	700,225
a. Bonds - Original Issues		6. Total (1 through 5)	2,093,464
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	142,812
7. Total (1 through 6)	2,577,460	b. Redemption	245,000
<b>B. Private Contributions</b>	406,178	c. Total (a. + b.)	387,812
<b>C. Receipts from State government (from page 2)</b>	334,999	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	0	a. Interest	0
<b>E. Total receipts (A.7 + B + C + D)</b>	3,318,637	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	387,812
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	2,481,276

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>	3,845,000		245,000	3,600,000
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	3,753,417	3,318,637	2,481,276	4,590,779	(0)

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2006	
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	77,644	a. Interest on investments	217,397
b. Other local imposts:		b. Traffic Fines & Penalties	153,388
1. Sales Taxes	1,143,972	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	346,024	d. Parking Meter Fees	0
3. Liens	39,594	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	307,977	g. Other Misc. Receipts	0
6. Total (1. through 5.)	1,837,567	h. Other	0
c. Total (a. + b.)	1,915,211	i. Total (a. through h.)	370,785
	(Carry forward to page 1)		(Carry forward to page 1)
<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL</b>			
<b>ITEM</b>	<b>AMOUNT</b>	<b>ITEM</b>	<b>AMOUNT</b>
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	258,207	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	34,825	d. Federal Transit Admin	0
d. Other (Specify)	41,967	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal	0
f. Total (a. through e.)	76,792	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	334,999	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs		0	0
b. Engineering Costs		183,719	183,719
c. Construction:			
(1). New Facilities		0	0
(2). Capacity Improvements		188,622	188,622
(3). System Preservation		48,588	48,588
(4). System Enhancement & Operation		182,519	182,519
(5). Total Construction (1) + (2) + (3) + (4)		0	419,729
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	603,448
			(Carry forward to page 1)
<b>Notes and Comments:</b>			