

**TOWN OF LAKE CITY, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2005**

**TOWN OF LAKE CITY, COLORADO**  
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**December 31, 2005**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake City, Colorado (the Town), as of and for the year ended December 31, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

*Wall, Smith, Bateman and Associates, Inc.*

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

April 11, 2006

**TOWN OF LAKE CITY, COLORADO**  
**BASIC FINANCIAL STATEMENTS**

**TOWN OF LAKE CITY, COLORADO**  
**STATEMENT OF NET ASSETS**  
**December 31, 2005**

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 254,733	\$ 212,707	\$ 467,440
Receivables:			
Customers, Less Allowance for Doubtful Accounts of \$3,084	-	81,302	81,302
Property Taxes Receivable	40,065	-	40,065
Grants Receivable	39,647	-	39,647
Due from Other Governments	123,388	-	123,388
Material and Supplies	-	23,881	23,881
Prepaid Expense	861	1,706	2,567
<b>Total Current Assets</b>	<u>458,694</u>	<u>319,596</u>	<u>( 778,290)</u>
<b>Capital Assets</b>			
Land and Water Rights	284,078	81,461	365,539
Improvements	78,127	-	78,127
Buildings	322,810	-	322,810
Utility Plants and Systems	-	3,011,812	3,011,812
General and Transportation Equipment	134,992	164,320	299,312
Construction in Progress	49,559	-	49,559
Less Accumulated Depreciation/Depletion	(243,136)	(1,263,165)	(1,506,301)
<b>Total Capital Assets</b>	<u>626,430</u>	<u>1,994,428</u>	<u>2,620,858</u>
<b>TOTAL ASSETS</b>	<u>1,085,124</u>	<u>2,314,024</u>	<u>3,399,148</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	8,867	6,523	15,390
Accrued Expenses	-	(2,340)	(2,340)
Unearned Revenues	40,065	-	40,065
Notes Payable	-	5,316	5,316
<b>Total Current Liabilities</b>	<u>48,932</u>	<u>9,499</u>	<u>58,431</u>
<b>Long-term Liabilities</b>			
Notes Payable	-	37,971	37,971
<b>Total Long-term Liabilities</b>	<u>-</u>	<u>37,971</u>	<u>37,971</u>
<b>TOTAL LIABILITIES</b>	<u>48,932</u>	<u>47,470</u>	<u>96,402</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	626,430	1,951,141	2,577,571
Restricted for:			
TABOR	10,514	-	10,514
Unrestricted	399,248	315,413	714,661
<b>TOTAL NET ASSETS</b>	<u>\$ 1,036,192</u>	<u>\$ 2,266,554</u>	<u>\$ 3,302,746</u>

See Notes to the Basic Financial Statements

**TOWN OF LAKE CITY, COLORADO**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Business-Type Activities	TOTAL
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 144,396	\$ 22,142	\$ -	\$ 5,493	\$ (116,761)	\$ -	\$ (116,761)
Culture and recreation	128,739	9,696	7,896	30,000	(81,147)	-	(81,147)
Highways and streets	151,386	-	32,205	39,647	(79,534)	-	(79,534)
<b>Total Governmental Activities</b>	<b>424,521</b>	<b>31,838</b>	<b>40,101</b>	<b>75,140</b>	<b>(277,442)</b>	<b>-</b>	<b>(277,442)</b>
<b>Business-Type Activities</b>							
Water and Sewer	390,049	347,343	-	24,000	-	(18,706)	(18,706)
<b>Total Business-Type Activities</b>	<b>390,049</b>	<b>347,343</b>	<b>-</b>	<b>24,000</b>	<b>-</b>	<b>(18,706)</b>	<b>(18,706)</b>
<b>Total Primary Government</b>	<b>\$ 814,570</b>	<b>\$ 379,181</b>	<b>\$ 40,101</b>	<b>\$ 99,140</b>	<b>\$ (277,442)</b>	<b>\$ (18,706)</b>	<b>\$ (296,148)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
General Property Taxes - Net					\$ 37,135	\$ -	\$ 37,135
Sales Taxes					226,067	-	226,067
Building Use Tax					44,597	-	44,597
Franchise Taxes					3,350	-	3,350
Other Taxes					6,274	-	6,274
Interest on Investments					7,658	2,631	10,289
Miscellaneous					11,875	-	11,875
<b>Total General Revenues and Special Items</b>					<b>336,956</b>	<b>2,631</b>	<b>339,587</b>
<b>Change in Net Assets</b>					<b>59,514</b>	<b>(16,075)</b>	<b>43,439</b>
Net Assets - Beginning					976,678	2,282,629	3,259,307
Net Assets - Ending					<b>\$ 1,036,192</b>	<b>\$ 2,266,554</b>	<b>\$ 3,302,746</b>

**TOWN OF LAKE CITY, COLORADO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2005**

	<b>GENERAL FUND</b>	<b>STREETS AND ALLEYS</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 193,907	\$ 48,038	\$ 12,788	\$ 254,733
Property Taxes Receivable	-	40,065	-	40,065
Grants Receivable	-	39,647	-	39,647
Due from Other Governments	120,449	2,939	-	123,388
Due from Other Funds	10,000	-	-	10,000
Prepaid Expense	861	-	-	861
<b>TOTAL ASSETS</b>	<b>\$ 325,217</b>	<b>\$ 130,689</b>	<b>\$ 12,788</b>	<b>\$ 468,694</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 4,200	\$ 4,667	\$ -	\$ 8,867
Due to Other Funds	-	-	10,000	10,000
Unearned Revenues	-	40,065	-	40,065
<b>TOTAL LIABILITIES</b>	<b>4,200</b>	<b>44,732</b>	<b>10,000</b>	<b>58,932</b>
<b>FUND BALANCE</b>				
Tabor Reserve	10,514	-	-	10,514
Designated for subsequent years	148,799	-	502	149,301
Undesignated	161,704	85,957	2,286	249,947
<b>TOTAL FUND BALANCE</b>	<b>321,017</b>	<b>85,957</b>	<b>2,788</b>	<b>409,762</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 325,217</b>	<b>\$ 130,689</b>	<b>\$ 12,788</b>	<b>\$ 468,694</b>

**TOWN OF LAKE CITY, COLORADO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2005**

<b>Total governmental fund balances</b>	\$ 409,762
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	 <u>626,430</u>
<b>Net assets of governmental activities</b>	 <u><u>\$ 1,036,192</u></u>



**TOWN OF LAKE CITY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<u>GENERAL FUND</u>	<u>STREETS AND ALLEYS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Taxes	\$ 270,845	\$ 43,728	\$ 2,850	\$ 317,423
Licenses	17,891	1,525	-	19,416
Intergovernmental Revenues	35,493	71,852	3,515	110,860
Charges for Services	9,724	-	-	9,724
Fines and Forfeits	245	1,532	-	1,777
Interest	7,564	-	94	7,658
TV Special Assessments	-	-	921	921
Miscellaneous	15,726	530	-	16,256
<b>TOTAL REVENUES</b>	<u>357,488</u>	<u>119,167</u>	<u>7,380</u>	<u>484,035</u>
<b>EXPENDITURES</b>				
General Government	182,691	-	-	182,691
Culture and Recreation	113,838	-	14,901	128,739
Highways and Streets	-	151,386	-	151,386
Intergovernmental Cooperation Outlay	35,847	-	-	35,847
<b>TOTAL EXPENDITURES</b>	<u>332,376</u>	<u>151,386</u>	<u>14,901</u>	<u>498,663</u>
Excess (deficiency) of revenues over expenditures	25,112	(32,219)	(7,521)	(14,628)
Fund Balance at beginning of year	295,905	118,176	10,309	424,390
<b>Fund Balance at end of year</b>	<u>\$ 321,017</u>	<u>\$ 85,957</u>	<u>\$ 2,788</u>	<u>\$ 409,762</u>

**TOWN OF LAKE CITY, COLORADO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2005**

**Net change in fund balances - total governmental funds** \$ (14,628)

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

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

Fixed asset additions	\$	91,939	
Depreciation expense		(17,797)	
Excess of capital outlay over depreciation		74,142	74,142

**Change in net assets of governmental funds** \$ 59,514

**TOWN OF LAKE CITY, COLORADO**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

REVENUES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Taxes</b>				
Sales Tax	\$ 199,900	\$ 199,900	\$ 224,243 ✓	\$ 24,343
Cigarette Tax	1,500	1,500	1,505 ✓	5
Building Use Tax	15,000	15,000	44,597 ✓	29,597
Franchise Tax	250	250	500 ✓	250
<b>Total Taxes</b>	<b>216,650</b>	<b>216,650</b>	<b>270,845 ✓</b>	<b>54,195</b>
<b>Licenses and Permits</b>				
Liquor Licenses	600	600	570	(30)
Liquor License Application Fee	550	550	700 ✓	150
CATV Fees	1,500	1,500	1,870 ✓	370
Building Permits	6,000	6,000	14,285	8,285
Sign Permits	100	100	176	76
Dog Licenses	100	100	90	(10)
Special Use Permits	100	100	200	100
<b>Total Licenses and Permits</b>	<b>8,950</b>	<b>8,950</b>	<b>17,891 ✓</b>	<b>8,941</b>
<b>Intergovernmental Revenue</b>				
State of Colorado	28,000	28,000	35,493 ✓	7,493
<b>Total Intergovernmental Revenue</b>	<b>28,000</b>	<b>28,000</b>	<b>35,493 ✓</b>	<b>7,493</b>
<b>Charges for Services</b>				
Court Fees	50	50	-	(50)
Zoning and Subdivision Fees	30	30	8	(22)
Sale of Publications	25	25	-	(25)
Copies	200	200	20	(180)
Recreation Program Fees	3,000	3,000	4,445	1,445
Recreation Ski Hill Fees	1,500	1,500	5,251	3,751
<b>Total Charges for Services</b>	<b>4,805</b>	<b>4,805</b>	<b>9,724 ✓</b>	<b>4,919</b>
<b>Fines and Forfeits</b>				
Court Fines	500	500	245 ✓	(255)
<b>Total Fines and Forfeits</b>	<b>500</b>	<b>500</b>	<b>245</b>	<b>(255)</b>
<b>Interest</b>				
Earnings on Deposits	5,000	5,000	7,564 ✓	2,564
<b>Total Interest</b>	<b>5,000</b>	<b>5,000</b>	<b>7,564</b>	<b>2,564</b>

See Notes to the Basic Financial Statements

**TOWN OF LAKE CITY, COLORADO**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
Miscellaneous				
Rent from Buildings	500	500	300	(200)
Refunds	100	100	1,568	1,468
Ski Hill Donations	400	400	1,250	850
Recreation Program Donations	13,000	13,000	3,131	(9,869)
Miscellaneous	1,000	1,000	9,477	8,477
<b>Total Miscellaneous</b>	<b>15,000</b>	<b>15,000</b>	<b>15,726</b>	<b>726</b>
<b>TOTAL REVENUES</b>	<b>278,905</b>	<b>278,905</b>	<b>357,488</b>	<b>78,583</b>
<b>EXPENDITURES</b>				
General Government				
Board of Trustees				
Salaries	7,200	7,200	6,900	300
FICA	105	105	100	5
Retirement	720	720	690	30
Publicity, Dues and Subscriptions	1,000	1,000	897	103
Professional Services	32,000	32,000	26,697	5,303
Travel and Meetings	2,250	2,250	1,062	1,188
Printing	-	-	7,200	(7,200)
Miscellaneous	1,500	1,500	2,165	(665)
<b>Total Board of Trustees</b>	<b>44,775</b>	<b>44,775</b>	<b>45,711</b>	<b>(936)</b>
Town Manager				
Salaries	30,060	30,060	29,480	580
Health Insurance	3,480	3,480	2,976	504
Retirement	3,060	3,060	2,948	112
Office Supplies	1,300	1,300	1,754	(454)
Operating Supplies	500	500	1,998	(1,498)
Postage	1,300	1,300	637	663
Printing	150	150	766	(616)
Publicity, Dues, and Subscriptions	225	225	218	7
Telephone	1,800	1,800	2,041	(241)
Travel and Meetings	2,500	2,500	5,020	(2,520)
Miscellaneous	100	100	288	(188)
<b>Total Town Manager</b>	<b>44,475</b>	<b>44,475</b>	<b>48,126</b>	<b>(3,651)</b>

**TOWN OF LAKE CITY, COLORADO**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b> <b>(NEGATIVE)</b>
<b>Municipal Court</b>				
Salaries	2,530	2,530	1,616	914
FICA	21	21	9	12
Retirement	253	253	162	91
Health Insurance	120	120	103	17
Publicity, Dues, and Subscriptions	50	50	60	(10)
Travel and Meetings	500	500	-	500
<b>Total Municipal Court</b>	<b>3,474</b>	<b>3,474</b>	<b>1,950</b>	<b>1,524</b>
<b>Mayor</b>				
Salaries	1,800	1,800	1,800	-
FICA	27	27	26	1
Retirement	180	180	180	-
Travel and Meetings	500	500	-	500
<b>Total Mayor</b>	<b>2,507</b>	<b>2,507</b>	<b>2,006</b>	<b>501</b>
<b>Town Clerk/Treasurer</b>				
Salaries	20,220	20,220	19,829	391
FICA	294	294	288	6
Workman's Compensation	2,000	2,000	1,351	649
Retirement	2,022	2,022	1,983	39
Health Insurance	2,500	2,500	2,162	338
Repair and Maintenance Supplies	500	500	-	500
Publicity, Dues, and Subscriptions	500	500	254	246
Travel	1,250	1,250	1,050	200
Professional Services	1,250	1,250	1,412	(162)
Legal Notices	2,600	2,600	2,288	312
Auditing	4,750	4,750	5,038	(288)
Repair and Maintenance Services	500	500	-	500
Miscellaneous	100	100	81	19
Insurance and Bonds	4,500	4,500	6,210	(1,710)
<b>Total Town Clerk/Treasurer</b>	<b>42,986</b>	<b>42,986</b>	<b>41,946</b>	<b>1,040</b>
<b>Building and Plant</b>				
Salaries	6,620	6,620	2,199	4,421
FICA	97	97	32	65
Retirement	662	662	220	442
Janitorial Supplies	800	800	536	264
Repair and Maintenance Supplies	2,000	2,000	802	1,198
Electricity	2,500	2,500	1,980	520
Propane	4,250	4,250	6,536	(2,286)
Repair and Maintenance Services	15,000	15,000	10,172	4,828
Miscellaneous	2,800	2,800	5,658	(2,858)
<b>Total Building and Plant</b>	<b>34,729</b>	<b>34,729</b>	<b>28,135</b>	<b>6,594</b>

See Notes to the Basic Financial Statements

**TOWN OF LAKE CITY, COLORADO**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
Law				
Legal Services	4,500	4,500	2,372	2,128
Total Law	4,500	4,500	2,372	2,128
Economic Development				
Publicity, Dues, and Subscriptions	500	500	445	55
Contract Payments	12,000	12,000	12,000	-
Total Economic Development	12,500	12,500	12,445	55
Total General Government	189,946	189,946	182,691	7,255
Culture and Recreation				
Recreation				
Salaries	24,406	24,406	16,687	7,719
FICA	354	354	240	114
Retirement	2,441	2,441	1,654	787
Health Insurance	4,050	4,050	3,738	312
Contract Instruction	1,500	1,500	1,864	(364)
Office Supplies	200	200	331	(131)
Recreation Supplies	3,000	3,000	8,030	(5,030)
Repairs and Maintenance	350	350	346	4
Telephone	1,000	1,000	964	36
Printing	100	100	357	(257)
Publicity, Dues and Subscriptions	300	300	996	(696)
Travel and Meeting	450	450	189	261
Miscellaneous	500	500	386	114
Total Recreation	38,651	38,651	35,782	2,869
Recreation - Ski Hill				
Salaries	5,800	5,800	5,309	491
FICA	85	85	77	8
Retirement	580	580	531	49
Operating Supplies	750	750	389	361
Repair and Maintenance Supplies	2,000	2,000	4,696	(2,696)
Electricity	325	325	311	14
Inspections	1,350	1,350	530	820
Repair and Maintenance Services	3,700	3,700	3,456	244
Travel and Meetings	350	350	-	350
Permits	625	625	625	-
Miscellaneous	600	600	2,011	(1,411)
Total Recreation - Ski Hill	16,165	16,165	17,935	(1,770)

**TOWN OF LAKE CITY, COLORADO**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>Parks</b>				
Salaries	18,161	18,161	17,085	1,076
FICA	264	264	248	16
Retirement	1,816	1,816	1,708	108
Operating Supplies	2,500	2,500	4,038	(1,538)
Repair and Maintenance Supplies	3,500	3,500	2,164	1,336
Utilities	1,500	1,500	1,396	104
Professional Services	2,500	2,500	252	2,248
Repair and Maintenance Services	1,000	1,000	505	495
Trails	-	-	32,621	(32,621)
Miscellaneous	200	200	104	96
<b>Total Parks</b>	<b>31,441</b>	<b>31,441</b>	<b>60,121</b>	<b>(28,680)</b>
<b>Total Culture and Recreation</b>	<b>86,257</b>	<b>86,257</b>	<b>113,838</b>	<b>(27,581)</b>
<b>Intergovernmental Cooperation Outlay</b>				
Contract Payments	41,800	41,800	35,847	5,953
<b>Total Intergovernmental Cooperation Outlay</b>	<b>41,800</b>	<b>41,800</b>	<b>35,847</b>	<b>5,953</b>
<b>Capital Outlay</b>				
Capital Outlay	91,500	91,500	-	91,500
<b>Total Capital Outlay</b>	<b>91,500</b>	<b>91,500</b>	<b>-</b>	<b>91,500</b>
<b>TOTAL EXPENDITURES</b>	<b>409,503</b>	<b>409,503</b>	<b>332,376</b>	<b>77,127</b>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<b>(130,598)</b>	<b>(130,598)</b>	<b>25,112</b>	<b>155,710</b>
<b>Fund Balance, Beginning of Year</b>	<b>271,525</b>	<b>271,525</b>	<b>295,905</b>	<b>24,380</b>
<b>Fund Balance, End of Year</b>	<b>\$ 140,927</b>	<b>\$ 140,927</b>	<b>\$ 321,017</b>	<b>\$ 180,090</b>

**TOWN OF LAKE CITY, COLORADO**  
**STREETS AND ALLEYS FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 37,008	\$ 37,008	\$ 37,135	\$ 127
Specific Ownership Tax	2,500	2,500	4,472	1,972
Sales Tax	1,500	1,500	1,824	324
Penalties and Interest	100	100	297	197
<b>Total Taxes</b>	<b>41,108</b>	<b>41,108</b>	<b>43,728</b>	<b>2,620</b>
Licenses and Permits				
Street Permits	1,000	1,000	1,525	525
<b>Total Licenses and Permits</b>	<b>1,000</b>	<b>1,000</b>	<b>1,525</b>	<b>525</b>
Intergovernmental Revenue				
Grant Monies	98,000	98,000	39,647	(58,353)
Highway Users Tax	28,681	28,681	26,511	(2,170)
Road and Bridge Tax	1,000	1,000	1,326	326
Motor Vehicle Registration Fees	3,000	3,000	4,368	1,368
<b>Total Intergovernmental Revenue</b>	<b>130,681</b>	<b>130,681</b>	<b>71,852</b>	<b>(58,829)</b>
Fines and Forfeits				
Traffic Fines	1,000	1,000	1,532	532
<b>Total Fines and Forfeits</b>	<b>1,000</b>	<b>1,000</b>	<b>1,532</b>	<b>532</b>
Miscellaneous				
Rent From Land	100	100	200	100
Miscellaneous	250	250	330	80
<b>Total Miscellaneous</b>	<b>350</b>	<b>350</b>	<b>530</b>	<b>180</b>
<b>TOTAL REVENUES</b>	<b>174,139</b>	<b>174,139</b>	<b>119,167</b>	<b>(54,972)</b>
<b>EXPENDITURES</b>				
Highways and Streets				
Maintenance and Condition	50,150	50,150	90,137	(39,987)
Snow and Ice Removal	19,500	19,500	15,091	4,409
Administration	28,933	28,933	34,049	(5,116)
Drainage	11,000	11,000	3,972	7,028
Landscaping	6,700	6,700	8,137	(1,437)
Traffic Services	3,000	3,000	-	3,000
Capital Outlay	109,900	109,900	-	109,900
<b>Total Highways and Streets</b>	<b>229,183</b>	<b>229,183</b>	<b>151,386</b>	<b>77,797</b>
<b>TOTAL EXPENDITURES</b>	<b>229,183</b>	<b>229,183</b>	<b>151,386</b>	<b>77,797</b>
Excess (deficiency) of revenues over expenditures	(55,044)	(55,044)	(32,219)	(22,825)
Fund Balance at beginning of year	109,855	109,855	118,176	8,321
<b>Fund Balance at end of year</b>	<b>\$ 54,811</b>	<b>\$ 54,811</b>	<b>\$ 85,957</b>	<b>\$ 31,146</b>

See Notes to the Basic Financial Statements



**TOWN OF LAKE CITY, COLORADO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**WATER AND SEWER FUND**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended December 31, 2005**

	<b>ACTUAL</b>
<b>OPERATING REVENUES:</b>	
Water Sales	\$ 174,721
Sewage Treatment Charges	157,258
Water Meter Sales	13,033
Miscellaneous	2,331
<b>Total operating revenues</b>	<b>347,343 ✓</b>
<b>OPERATING EXPENSES:</b>	
Water Department	115,242
Sewer Department	85,970
Depreciation	—97,463
Administrative and General	88,956
<b>Total operating expenses</b>	<b>387,631</b>
Operating income (loss)	(40,288)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Expense	(2,418) ✓
Interest Income	2,631 ✓
<b>Total nonoperating revenues (expenses)</b>	<b>213</b>
Income Before Other Revenue	(40,075)
<b>CAPITAL CONTRIBUTIONS - Tap Fees</b>	<b>24,000 ✓</b>
Change in Net Assets	(16,075)
Net Assets at beginning of year	2,282,629
Net Assets at end of year	<b>\$ 2,266,554</b>

**TOWN OF LAKE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended December 31, 2005**

	<b>TOTAL 2005</b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$ 350,345
Cash Paid to Suppliers	(141,300)
Cash Paid for Employee Services	(146,779)
	<u>62,266</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal Payments - Notes	(5,063)
Interest Paid	(2,418) <sup>OK</sup>
Capital Contributions (water and sewer taps)	24,000 <sup>OK</sup>
	<u>16,519</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest Received	2,631
Purchase of Fixed Assets	(52,730)
	<u>(50,099)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	28,686
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>184,021</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 212,707</u>
<b>Operating Income</b>	\$ (40,288)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation Expense	97,463
(Increase) in Accounts Receivable	3,002
(Increase) in Prepaid Accounts	3,736
(Decrease) in Accounts Payable	(330)
Increase (Decrease) in Accrued Expenses	(1,317)
Total Adjustments	<u>102,554</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 62,266</u>

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

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

***Component Units***

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

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

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

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

#### **ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### ***Cash***

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

##### ***Investments***

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

##### ***Property Taxes***

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

Uncollected property taxes that became an enforceable lien January 1, 2006 has been recorded in the financial statements as an asset and a corresponding deferred revenue.

##### ***Receivables/Payables From Other Funds***

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

##### ***Prepaid Items***

Prepaid expenses in the General Fund consist of the unexpired portion (as of December 31, 2005) of insurance premiums.

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

***Water and Sewer Tap Connection Charges***

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

***Capital Assets***

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	15-50
Buildings	10-50
Equipment	5-20

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

***Long-Term Obligations***

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

***Compensated Absences***

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

***Deferred Revenue***

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

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

***Fund Equity***

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

***Capitalization of Interest***

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

***Encumbrances***

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

***Use of Estimates***

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

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

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

Formal budgetary integration is employed as a management control device for all funds of the Town. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP) with the exception of the Proprietary fund.

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

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

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board did adopt supplemental appropriations during fiscal year 2005.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable. The Town budgeted a deficit fund balance in the Conservation Trust Fund which is a violation of Colorado State Statutes.

**NOTE 3 CASH, DEPOSITS AND INVESTMENTS**

**CASH AND DEPOSITS**

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

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. All deposits in 2005 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

***Custodial Credit Risk –Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At December 31, 2005, \$328,180 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

**INVESTMENTS**

The Town adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* during the year ended December 31, 2005. The Town's investments are subject to interest rate, credit risk, and concentration of credit risk.

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks



**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks.

***Credit Risk***

The Town's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The Town's investment policy allows for the Town to invest in local government investment pools. As of December 31, 2005, the local government investment pool (Colotrust) in which the Town had invested, was rated AAA by Standard & Poor's.

A summary of cash, deposits and investments for the Town (excluding Fiduciary Funds) as of December 31, 2005 are as follows:

Cash on Hand and in Banks	\$	415,370
ColoTrust		51,870
Petty Cash		200
		200
 Total Deposits and Investments	 \$	 467,440

***Interest Rate Risk***

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

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

**NOTE 4 DUE FROM OTHER GOVERNMENTS**

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

As of December 31, 2005, the Town had \$123,388 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>BALANCE</u> <u>12/31/2004</u>	<u>ADDITONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2005</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assests on being depreciated				
Land	\$ 284,078	\$ -	\$ -	\$ 284,078
Construction in Progress	-	49,559	-	49,559
Total capital assets not being depreciated	<u>284,078</u>	<u>49,559</u>	<u>-</u>	<u>333,637</u>
Capital assets being depreciated				
Buildings and Improvements	322,810	-	-	322,810
Equipment	134,992	-	-	134,992
Improvements	35,747	42,380	-	78,127
Total capital assets being depreciated	<u>493,549</u>	<u>42,380</u>	<u>-</u>	<u>535,929</u>
Less accumulated depreciation for:				
Buildings and Improvements	173,890	3,177	-	177,067
Equipment	49,490	11,249	-	60,739
Improvements	1,959	3,371	-	5,330
Total accumulated depreciation	<u>225,339</u>	<u>17,797</u>	<u>-</u>	<u>243,136</u>
Total Capital Assets being depreciated, net	<u>268,210</u>	<u>24,583</u>	<u>-</u>	<u>292,793</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 552,288</u>	<u>\$ 74,142</u>	<u>\$ -</u>	<u>\$ 626,430</u>

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

Governmental activities:	
General Government	\$ 17,797
Total depreciation expense – governmental activities	<u>\$ 17,797</u>

**NOTE 6 CHANGES IN LONG-TERM DEBT**

**Business-type Activities**

***Note Payable***

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

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

The following is a summary of the Town's long-term debt transactions for the year ended December 31, 2005:

<u>Enterprise Fund</u>	<u>Ending Balance 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2005</u>	<u>Due Within One Year</u>
Note Payable	\$ 48,350	\$ -	\$ 5,063	\$ 43,287	\$ 5,316
Total	<u>\$ 48,350</u>	<u>\$ -</u>	<u>\$ 5,063</u>	<u>\$ 43,287</u>	<u>\$ 5,316</u>

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2006	\$ 5,316	\$ 2,165	\$ 7,481
2007	5,582	1,899	\$ 7,481
2008	5,862	1,619	\$ 7,481
2009	6,155	1,326	\$ 7,481
2010	6,462	1,019	\$ 7,481
2011-2012	<u>13,910</u>	<u>1,052</u>	<u>\$ 14,962</u>
Totals	<u>\$ 43,287</u>	<u>\$ 9,080</u>	<u>\$ 52,367</u>

**NOTE 7 EMPLOYEE BENEFITS**

**Plan Description**

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

**Basis of Accounting**

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

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

**Funding Policy**

Plan members and the Town of Lake City, Colorado are required to contribute to the MDTF at a rate set by statute. The contribution requirements of plan members and the Town of Lake City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Town of Lake City it is 10.00% of covered salary. Beginning with payroll periods ending on or after January 1, 2001 and before June 1, 2004, the employer contribution paid to the MDTF were reduced by an employer match on members' voluntary contributions to a defined contribution plan. The match, set by the Board of Trustees of PERA, is 100% of a member's eligible tax-deferred retirement program contributions limited by a per payroll whole percentage of PERA-includable salary limit (percentage set for January through May 31, 2004 was 1.0%). Any unused DC match money is forwarded to the MDTF. With the passage and signing of Senate Bill 04-132 the employer match was suspended on June 1, 2004. Also, a portion of the Town of Lake City's contribution (1.10% of covered salary January 1, 2004, through June 30, 2004, 1.02% of covered salary July 1, 2004, through December 31, 2004) is allocated for the Health Care Trust Fund. The Town of Lake City's contributions to MDTF for the years ending December 31, 2003, 2004 and 2005 were \$21,543, \$22,478 and \$22,242, respectively, equal to their required contributions for each year.

**NOTE 8 SEGMENT INFORMATION --ENTERPRISE FUND**

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

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating Revenue	\$ 188,920	\$ 158,423	\$ 347,343
Depreciation Expense	57,397	40,066	97,463
Operating Income (Loss)	(28,197)	(12,091)	(40,288)
Net Income (Loss)	(984)	(15,091)	(16,075)
Property, Plant and Equipment	1,912,676	1,344,917	3,257,593
Accumulated Depreciation	588,120	675,045	1,263,165

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

**NOTE 9 TABOR AMENDMENT**

Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

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

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

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending in 2005. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

**TOWN OF LAKE CITY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENT**  
**December 31, 2005**

**NOTE 10 RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

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

# **TOWN OF LAKE CITY, COLORADO**

## **SUPPLEMENTARY INFORMATION**

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

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

**SPECIAL REVENUE FUNDS**

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

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

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

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

**TOWN OF LAKE CITY, COLORADO  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2005**

	<u>CONSERVATION TRUST FUND</u>	<u>CABLE TV/ TRANSLATOR FUND</u>	<u>ELECTRIC LINE RELOCATION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 10,002	\$ 1,924	\$ 862	\$ 12,788
<b>TOTAL ASSETS</b>	<u>\$ 10,002</u>	<u>\$ 1,924</u>	<u>\$ 862</u>	<u>\$ 12,788</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Due to Other Funds	10,000	-	-	10,000
<b>TOTAL LIABILITIES</b>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<b>FUND BALANCE</b>				
Designated for subsequent years	2	500	-	502
Undesignated	-	1,424	862	2,286
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>1,924</u>	<u>862</u>	<u>2,788</u>
<b>TOTAL LIABILITES AND FUND BALANCE</b>	<u>\$ 10,000</u>	<u>\$ 1,924</u>	<u>\$ 862</u>	<u>\$ 12,788</u>



**TOWN OF LAKE CITY, COLORADO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<u>CONSERVATION TRUST FUND</u>	<u>CABLE TV/ TRANSLATOR FUND</u>	<u>ELECTRIC LINE RELOCATION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 2,565	\$ 285	\$ 2,850
Intergovernmental Revenues	3,515	-	-	3,515
Interest	94	-	-	94
TV Special Assessments	-	921	-	921
<b>TOTAL REVENUES</b>	<u>3,609</u>	<u>3,486</u>	<u>285</u>	<u>7,380</u>
<b>EXPENDITURES</b>				
Culture and Recreation	10,000	4,901	-	14,901
<b>TOTAL EXPENDITURES</b>	<u>10,000</u>	<u>4,901</u>	<u>-</u>	<u>14,901</u>
Excess (deficiency) of revenues over expenditures	(6,391)	(1,415)	285	(7,521)
Fund Balance at beginning of year	6,393	3,339	577	10,309
Fund Balance at end of year	<u>\$ 2</u>	<u>\$ 1,924</u>	<u>\$ 862</u>	<u>\$ 2,788</u>

**TOWN OF LAKE CITY, COLORADO**  
**OTHER SCHEDULES AND REPORTS**

**TOWN OF LAKE CITY, COLORADO**  
**BUSINESS-TYPE ACTIVITIES**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>OPERATING REVENUES:</b>				
Water Sales	\$ 170,000	\$ 170,000	\$ 174,721	\$ 4,721
Inspection Fees	100	100	-	(100)
Sewage Treatment Charges	150,150	150,150	157,258	7,108
Water Meter Fees	-	-	13,033	13,033
Miscellaneous	8,000	8,000	2,331	(5,669)
<b>Total operating revenues</b>	<u>328,250</u>	<u>328,250</u>	<u>347,343</u>	<u>19,093</u>
<b>OPERATING EXPENSES:</b>				
Water Department	171,070	171,070	115,242	55,828
Sewer Department	117,350	117,350	85,970	31,380
Capital Outlay	-	-	52,730	(52,730)
Administrative and General	162,490	162,490	88,956	73,534
<b>Total operating expenses</b>	<u>450,910</u>	<u>450,910</u>	<u>342,898</u>	<u>108,012</u>
Operating income (loss)	<u>(122,660)</u>	<u>(122,660)</u>	<u>4,445</u>	<u>127,105</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
EIAF Loan Payment	(7,481)	(7,481)	(5,063)	2,418
Interest Expense	-	-	(2,418)	(2,418)
Interest Income	2,700	2,700	2,631	(69)
<b>Total nonoperating revenues (expenses)</b>	<u>(4,781)</u>	<u>(4,781)</u>	<u>(4,850)</u>	<u>(69)</u>
Income Before Other Revenue	<u>(127,441)</u>	<u>(127,441)</u>	<u>(405)</u>	<u>127,036</u>
<b>CAPITAL CONTRIBUTIONS - Tap Fees</b>	<u>16,025</u>	<u>16,025</u>	<u>24,000</u>	<u>7,975</u>
Net Income - Budget Basis	(111,416)	(111,416)	23,595	135,011
Less: Depreciation			(97,463)	
Add: Equipment Capitalized			52,730	
Debt Payments			5,063	
Change in Net Assets - GAAP Basis			<u>(16,075)</u>	
Net Assets at beginning of year	<u>165,713</u>	<u>165,713</u>	<u>2,282,629</u>	<u>2,116,916</u>
Net Assets at end of year	<u>\$ 54,297</u>	<u>\$ 54,297</u>	<u>\$ 2,266,554</u>	<u>\$ 2,212,257</u>

**TOWN OF LAKE CITY, COLORADO  
 CONSERVATION TRUST FUND  
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Intergovernmental Grant	\$ 3,000	\$ 3,000	\$ 3,515	\$ 515
Interest on Deposits	50	50	94	44
<b>TOTAL REVENUES</b>	<u>3,050</u>	<u>3,050</u>	<u>3,609</u>	<u>559</u>
<b>EXPENDITURES</b>				
Culture and Recreation				
Parks	-	10,000	10,000	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	3,050	(6,950)	(6,391)	559
Fund Balance at beginning of year	<u>6,347</u>	<u>6,347</u>	<u>6,393</u>	<u>46</u>
Fund Balance at end of year	<u>\$ 9,397</u>	<u>\$ (603)</u>	<u>\$ 2</u>	<u>\$ 605</u>

**TOWN OF LAKE CITY, COLORADO**  
**CABLE TV/TRANSLATOR FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
TV Special Assessments	\$ 1,000	\$ 1,000	\$ 921	\$ (79)
Franchise Taxes	2,200	2,200	2,565	365
<b>TOTAL REVENUES</b>	<u>3,200</u>	<u>3,200</u>	<u>3,486</u>	<u>286</u>
<b>EXPENDITURES</b>				
Culture and Recreation				
Cable TV Expenditures	5,700	5,700	4,901	799
Total Culture and Recreation	<u>5,700</u>	<u>5,700</u>	<u>4,901</u>	<u>799</u>
<b>TOTAL EXPENDITURES</b>	<u>5,700</u>	<u>5,700</u>	<u>4,901</u>	<u>799</u>
Excess (deficiency) of revenues over expenditures	(2,500)	(2,500)	(1,415)	1,085
Fund Balance at beginning of year	<u>5,052</u>	<u>5,052</u>	<u>3,339</u>	<u>(1,713)</u>
Fund Balance at end of year	<u>\$ 2,552</u>	<u>\$ 2,552</u>	<u>\$ 1,924</u>	<u>\$ (628)</u>

**TOWN OF LAKE CITY, COLORADO**  
**ELECTRICAL LINE RELOCATION FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Franchise Tax	\$ 245	\$ 245	\$ 285	\$ 40
<b>TOTAL REVENUES</b>	<u>245</u>	<u>245</u>	<u>285</u>	<u>40</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	245	245	285	40
<b>Fund Balance at beginning of year</b>	<u>577</u>	<u>577</u>	<u>577</u>	<u>-</u>
<b>Fund Balance at end of year</b>	<u>\$ 822</u>	<u>\$ 822</u>	<u>\$ 862</u>	<u>\$ 40</u>

**LOCAL HIGHWAY FINANCE REPORT**

City or County: Town of Lake City

YEAR ENDING :  
December 2005

This Information From The Records Of (example - City of \_ or County of \_) Prepared By: Mary Ann McCord  
Phone: (970) 944-2333

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

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

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	3,972
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	90,137
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	15,091
3. Other local imposts (from page 2)	50,650	c. Other (Landscaping)	8,137
4. Miscellaneous local receipts (from page 2)	2,359	d. Total (a. through c.)	23,228
5. Transfers from toll facilities		4. General administration & miscellaneous	34,049
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	151,386
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	53,009	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	26,511	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	39,647	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	119,167	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<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>	151,386

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
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
118,176	119,167	151,386	85,957	0

**Notes and Comments:**

The beginning fund balance was adjusted to agree with the Streets and Alleys fund balance.

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2005

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	37,135	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	1,532
1. Sales Taxes	1,824	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	1,525	f. Charges for Services	
5. Specific Ownership &/or Other	10,166	g. Other Misc. Receipts	
6. Total (1. through 5.)	13,515	h. Other	827
c. Total (a. + b.)	50,650	i. Total (a. through h.)	2,359
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	26,511	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	39,647
f. Total (a. through e.)	0	g. Total (a. through f.)	39,647
4. Total (1. + 2. + 3.f)	26,511	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		3,972	3,972
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	3,972	3,972
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	3,972	3,972
			(Carry forward to page 1)

Notes and Comments: