
CITY OF WALSENBURG,
COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2014



Contents

	Page
Independent Auditors' Report	1 - 3
Management's Discussion And Analysis	i - vii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement Of Net Position	4
Statement Of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Reconciliation Of The Governmental Funds Balance Sheet With The Government-Wide Statement Of Net Position	7
Statement Of Revenues, Expenditures And Change In Fund Balances - Governmental Funds	8
Reconciliation Of The Governmental Funds Statement Of Revenues, Expenditures And Change In Fund Balances With The Government-Wide Statement Of Activities.....	9
Statement Of Net Position - Proprietary Funds	10
Statement Of Revenues, Expenses And Changes In Net Position - Proprietary Funds	11
Statement Of Cash Flows - Proprietary Funds.....	12
Statement Of Fiduciary Net Position	13
Statement Of Changes In Fiduciary Net Position	14
Notes To Financial Statements.....	15 - 37

Contents

Page

Required Supplementary Information

Budgetary Comparison Schedule - General Fund	38
--	----

Other Supplementary Information

Budgetary Comparison Schedule - Capital Improvement Fund	39
--	----

Budgetary Comparison Schedule - Street Improvement Fund	40
---	----

Combining Balance Sheet - Nonmajor Governmental Funds	41
---	----

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances - Nonmajor Governmental Funds	42
--	----

Combining Balance Sheet - Sewer Funds	43
---	----

Combining Statement Of Revenues, Expenses And Changes In Net Position - Sewer Funds	44
---	----

Budgetary Comparison Schedules

Budgetary Basis - Gas Fund	45
----------------------------------	----

Budgetary Basis - Water Fund	46
------------------------------------	----

Budgetary Basis - Sewer Funds	47
-------------------------------------	----

Water Park Fund	48
-----------------------	----

Budgetary Basis - Internal Service Fund	49
---	----

Contents

Page

Budgetary Comparison Schedule - Fiduciary Fund

Volunteer Firefighters' Pension Fund50

Budgetary Comparison Schedules - Nonmajor Governmental Funds

Downtown District Fund.....51

Conservation Trust Fund.....52

Local Highway Finance Report..... 53 - 54

Independent Auditors' Report

City Council
City of Walsenburg, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Walsenburg, Colorado (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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

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

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

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, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 14, the City reclassified certain funds from special revenue funds to capital projects funds based on definitional changes in Governmental Accounting Standards Board Statement No. 54.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii and budgetary comparison information on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RubinBrown LLP

September 15, 2015

**City of Walsenburg, Colorado
Management's Discussion and Analysis
December 31, 2014**

This discussion and analysis of the City of Walsenburg's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2014. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City of Walsenburg's financial position continues to strengthen and increase by \$1.32 million (7.4%) during 2014.
- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of 2014 by approximately \$19.06 million (net position). Of this amount, approximately \$1.09 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At December 31, 2014, the combined net position of the City's governmental activities was approximately \$6.42 million, an increase of approximately \$689,000, and the fund balance in the General Fund increased by approximately \$295,000.
- Total tax revenues, which include real property taxes and on-going sales and use tax remittances, increased by approximately \$10,000 (0.6%) over 2013 collections.

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

CITY OF WALSENBURG, COLORADO

Management's Discussion And Analysis (*Continued*)

The ***Statement of Net Position*** presents information on all of the City of Walsenburg's assets less liabilities and deferred inflows with resources, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Walsenburg is improving or deteriorating.

The ***Statement of Activities*** presents information showing how the City of Walsenburg's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Walsenburg that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities). The Governmental Activities of the City of Walsenburg include general government, public safety (police & code enforcement), public works administration, streets, planning and economic development, and parks and recreation. The Business-type Activities of the City of Walsenburg include Water, Gas, Sewer and the Water Park, along with the Internal Service Fund.

The government-wide financial statements include only the City of Walsenburg.

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. Some funds are required to be established by State law and bond covenants, however, City Council establishes other funds to help control and manage spendable resources for particular purposes (i.e. Capital Improvement Fund). All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds — Most of the City's basic services are reported in governmental funds, which focus on how spendable resources flow into and out of those funds and the balances left at year-end that are available for future years. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the

CITY OF WALSENBURG, COLORADO

Management's Discussion And Analysis (*Continued*)

City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that accompanies the fund financial statements.

Proprietary funds — When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a type of proprietary fund) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other type of proprietary fund) are used to report activities that provide supplies and services for the City's other programs and activities, such as Fleet Management, Information Technology, and Insurance Funds.

Fiduciary funds — Resources held for the benefit of parties outside the government are reported in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found within the basic financial statements, just before the Notes to the Financial Statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for the City's nonmajor Governmental Funds. Schedules that compare actual revenues and expenditures/expenses to budgeted amounts are also included. Combining and individual fund statements and schedules can be found after the notes in the financial section.

CITY OF WALSENBURG, COLORADO

Management's Discussion And Analysis (*Continued*)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities and deferred inflows of resources by approximately \$17.74 million at the close of 2014. A condensed Statement of Net Position follows:

	Governmental Activities		Business-type Activities		Total Primary	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,970,551	\$ 1,786,974	\$ 3,510,705	\$ 2,994,718	\$ 5,481,256	\$ 4,781,692
Capital assets	5,070,158	4,713,602	18,848,686	19,027,648	23,918,844	23,741,250
Total Assets	7,040,709	6,500,576	22,359,391	22,022,366	29,400,100	28,522,942
Long Term liabilities	74,787	108,112	9,008,211	9,329,114	9,082,998	9,437,226
Other	282,948	353,975	711,050	685,317	993,998	1,039,292
Total Liabilities	357,735	462,087	9,719,261	10,014,431	10,076,996	10,476,518
Deferred Inflows of Resources	261,449	306,077	—	—	261,449	306,077
Net Position:						
Net investment						
in capital assets	5,070,158	4,713,602	9,930,155	9,796,483	15,000,313	14,510,085
Restricted	1,681,202	1,722,216	1,291,158	1,161,015	2,972,360	2,883,231
Unrestricted	(329,835)	(703,406)	1,418,817	1,050,437	1,088,982	347,031
Total Net Position	\$ 6,421,525	\$ 5,732,412	\$ 12,640,130	\$ 12,007,935	\$ 19,061,655	\$ 17,740,347

Restricted assets at the end of 2014 were \$2,972,360 and are available only for specific projects as identified in the respective funding documents. Net investment in capital assets totaled \$15,000,313 at December 31, 2014, leaving unrestricted net position of \$1,088,982 which may be used to meet the City's ongoing obligations to citizens and creditors.

The City continues to maintain positive net position business-type activities.

CITY OF WALSENBURG, COLORADO

Management's Discussion And Analysis (*Continued*)

CHANGES IN NET POSITION

The City's total expenditures of \$4.74 million did not exceed program revenues of \$6.06 million. The total increase in net position for 2014 is approximately \$1.32 million.

	Governmental Activities		Business-type Activities		Total Primary	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for services	\$ 52,550	\$ 44,420	\$ 3,852,850	\$ 3,878,471	\$ 3,905,400	\$ 3,922,891
Operating Grants	6,101	5,156	—	5,000	6,101	10,156
Capital Grants & Contribution	—	—	—	—	—	—
General Revenues:						
Taxes	1,581,850	1,572,118	—	—	1,581,850	1,572,118
Intergovernmental	131,036	130,333	—	—	131,036	130,333
Earnings on Investments	1,249	3,926	6,525	6,121	7,774	10,047
Loss on disposal of capital assets	—	—	—	—	—	—
Other revenues	269,017	107,515	162,814	18,917	431,831	126,432
Total Revenues	2,041,803	1,863,468	4,022,189	3,908,509	6,063,992	5,771,977
Program expenses:						
General Government	198,487	238,477	—	—	198,487	238,477
Public Safety	600,775	783,842	—	—	600,775	783,842
Public works	351,489	332,458	—	—	351,489	332,458
Culture, parks and recreation	103,353	99,278	—	—	103,353	99,278
Donations	4,376	2,000	—	—	4,376	2,000
Debt Service	—	—	—	—	—	—
Interest	—	2	—	—	—	2
Gas	—	—	1,166,941	1,610,342	1,166,941	1,610,342
Water	—	—	1,164,757	1,147,607	1,164,757	1,147,607
Sewer	—	—	931,795	902,075	931,795	902,075
Water Park	—	—	220,711	205,213	220,711	205,213
Total Expenses	1,258,480	1,456,057	3,484,204	3,865,237	4,742,684	5,321,294
Excess (deficiency) of revenue over expenditures	783,323	407,411	537,985	43,272	1,321,308	450,683
Transfers In (Out)	(94,210)	(128,755)	94,210	128,755	—	—
Change in net position	689,113	278,656	632,195	172,027	1,321,308	450,683
Beginning net position	5,732,412	5,453,756	12,007,935	11,835,908	17,740,347	17,289,664
Ending net position	\$ 6,421,525	\$ 5,732,412	\$ 12,640,130	\$ 12,007,935	\$ 19,061,655	\$ 17,740,347

Business-type Activities

Business-type activities increased Walsenburg's net position by \$632,195 during the year 2014. While revenues in the Water Park exceeded cash expenses, this fund is operating at minimal to negative surplus. This fund along with the Sewer and Water fund depend on transfers in to support operations.

Governmental Activities

Governmental activities increased Walsenburg's net position by \$689,113 during the year 2014.

CITY OF WALSENBURG, COLORADO

Management's Discussion And Analysis (*Continued*)

Budgetary Highlights

The City's budgets are prepared in accordance with the Colorado Revised Statutes.

General fund revenues in 2014 were greater than anticipated budget by \$229,559 (21.3%).

Capital Asset and Debt Administration

Capital Assets - The City of Walsenburg invested approximately \$481,928 in capital assets for its governmental-type activities during the year ended December 31, 2014. The City's total investment in land, buildings, equipment and vehicles is \$23,918,844, after applying depreciation.

The City depreciates all capital assets except land utilizing straight-line depreciation applied to the useful life of each respective asset. Useful lives of each asset are identified, as follows:

Land	N/A
Utility Plant	40 years
Streets	40 years
Buildings and Improvements	15-40 years
Equipment and Furniture	3-10 years
Software	3-5 years

Long-term Debt - At the end of 2014, the City has long-term debt totaling \$9,082,998 of which \$74,787 is applicable to governmental activities, and \$9,008,211 applies to business-type activities. The amount of principal scheduled to be retired in 2014 is approximately \$491,953, and all currently recorded debt is scheduled to be retired by 2032.

Other Matters

Factors which are expected to have a significant impact on the City's 2014 budget include:

1. Development of the Northland's annexation

The City is working with the residents of the Northland's area to provide a sewer-main from the newly-annexed parcels to the City's waste water treatment facility. The project is estimated to cost \$6.1 million and should be completed by mid-to-late 2015. Successful completion of this project should bring several new businesses to the area, including tourism-related, services-oriented, retail, lodging and manufacturing.

CITY OF WALSENBURG, COLORADO

Management's Discussion And Analysis (*Continued*)

2. Tax revenues will provide a mixed result.

Sales taxes collections in 2014 increased over 2013 receipts due the improving economy in surrounding areas and due to the increased travel through the City. This is offset to some extent by decreasing property values resulting in smaller property tax collections. The City continues to seek additional revenues to meet the needs of its citizens.

3. Decreased governmental expenses

The City continues to look for ways to provide adequate services to its citizens in more efficient and less costly ways.

4. The City is obliged to retire bonds in the amount of \$275,000 on the Water and Sewer Treatment Plants

Water and sewer rates were adjusted in 2011 to account for the repayment of the construction bonds so this payment should not cause a major impact, however maintenance and repair of the aging infrastructure remain a major concern. The City continues to monitor and adjust water and sewer rates as necessary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the City's Administrator at City of Walsenburg, 525 South Albert Street, Walsenburg, CO 81089, or at djohnston@cityofwalsenburg.net.

CITY OF WALSENBURG, COLORADO

STATEMENT OF NET POSITION December 31, 2014

	Assets		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 21,209	\$ 1,683	\$ 22,892
Equity in pooled cash and cash equivalents	1,054,955	1,232,993	2,287,948
Equity in pooled investments	144,686	134,985	279,671
Restricted cash and cash equivalents	—	1,291,158	1,291,158
Accounts receivable, net of allowance	394,298	580,171	974,469
Other receivable, net of allowance	—	144,258	144,258
Internal balances	81,549	(81,549)	—
Property tax receivable	261,449	—	261,449
Prepaid expenses	12,405	22,649	35,054
Inventory	—	184,357	184,357
Capital assets, net	5,070,158	18,848,686	23,918,844
Total Assets	7,040,709	22,359,391	29,400,100

Liabilities And Deferred Inflows Of Resources

Accounts payable and accrued expenses	33,685	457,077	490,762
Deposits and escrows	—	253,973	253,973
Property tax refunds payable	249,263	—	249,263
Noncurrent liabilities			
Due within one year	74,787	410,333	485,120
Due in more than one year	—	8,597,878	8,597,878
Total Liabilities	357,735	9,719,261	10,076,996

Deferred Inflows Of Resources

Unearned property taxes	261,449	—	261,449
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Net Position

Net investment in capital assets	5,070,158	9,930,155	15,000,313
Restricted for			
Emergencies	50,360	—	50,360
Other	1,630,842	1,291,158	2,922,000
Unrestricted	(329,835)	1,418,817	1,088,982
Total Net Position	\$ 6,421,525	\$ 12,640,130	\$ 19,061,655

CITY OF WALSENBURG, COLORADO

STATEMENT OF ACTIVITIES Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes In Net Position		Total
		Charges For Services	Operating Grants And Contributions	Governmental Activities	Business- Type Activities	
Primary government						
Governmental activities						
General government	\$ 198,487	\$ 28,567	\$ —	\$ (169,920)	\$ —	\$ (169,920)
Public safety	600,775	—	6,088	(594,687)	—	(594,687)
Public works	351,489	23,983	—	(327,506)	—	(327,506)
Culture, parks and recreation	103,353	—	13	(103,340)	—	(103,340)
Donations and contributions	4,376	—	—	(4,376)	—	(4,376)
Total Government Activities	1,258,480	52,550	6,101	(1,199,829)	—	(1,199,829)
Business-type activities						
Gas	1,166,941	1,533,000	—	—	366,059	366,059
Water	1,164,757	1,302,592	—	—	137,835	137,835
Sewer	931,795	934,790	—	—	2,995	2,995
Water park	220,711	82,468	—	—	(138,243)	(138,243)
Total Business-Type Activities	3,484,204	3,852,850	—	—	368,646	368,646
Total Primary Government	\$ 4,742,684	\$ 3,905,400	\$ 6,101	(1,199,829)	368,646	(831,183)
General Revenues						
Taxes						
Property taxes				219,479	—	219,479
Specific ownership taxes				28,636	—	28,636
Sales and use taxes				1,239,958	—	1,239,958
Franchise taxes				58,758	—	58,758
Other taxes				35,019	—	35,019
Intergovernmental				131,036	—	131,036
Earnings on investments				1,249	6,525	7,774
Other revenues				269,017	162,814	431,831
Transfers				(94,210)	94,210	—
Total General Revenues And Transfers				1,888,942	263,549	2,152,491
Changes In Net Position				689,113	632,195	1,321,308
Net Position At Beginning Of Year				5,732,412	12,007,935	17,740,347
Net Position At End Of Year				\$ 6,421,525	\$ 12,640,130	\$ 19,061,655

CITY OF WALSENBURG, COLORADO

BALANCE SHEET - GOVERNMENTAL FUNDS December 31, 2014

	Assets					
	General	Capital Improvement	Street Improvement	Other Governmental Funds	Total Governmental Funds	
Cash and cash equivalents	\$ 18,042	\$ —	\$ —	\$ 3,167	\$ 21,209	
Equity in pooled cash and cash equivalents	—	171,204	832,392	20,206	1,023,802	
Equity in pooled investments	—	51,174	88,078	2,138	141,390	
Due from other funds	38,212	584,629	—	—	622,841	
Prepaid expenses	12,405	—	—	—	12,405	
Accounts receivable	281,110	56,588	56,588	12	394,298	
Property tax receivable	261,449	—	—	—	261,449	
Totals Assets	\$ 611,218	\$ 863,595	\$ 977,058	\$ 25,523	\$ 2,477,394	
Liabilities, Deferred Inflows Of Resources And Fund Balances						
Liabilities						
Accounts payable	\$ 21,173	\$ —	\$ 698	\$ —	\$ 21,871	
Accrued expenses	11,458	—	—	—	11,458	
Due to other funds	306,278	235,014	—	—	541,292	
Property tax refunds payable	249,263	—	—	—	249,263	
Total Liabilities	588,172	235,014	698	—	823,884	
Deferred Inflows Of Resources						
Unavailable property tax revenue	261,449	—	—	—	261,449	
Fund Balances						
Nonspendable	12,405	—	—	—	12,405	
Restricted for emergencies	50,360	—	—	—	50,360	
Restricted for street improvements	—	—	976,360	—	976,360	
Restricted for capital improvements - general government	—	599,001	—	—	599,001	
Restricted for capital improvements - sewer	—	29,580	—	—	29,580	
Restricted for youth activities	378	—	—	—	378	
Restricted for special revenue funds	—	—	—	25,523	25,523	
Unassigned	(301,546)	—	—	—	(301,546)	
Total Fund Balances	(238,403)	628,581	976,360	25,523	1,392,061	
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$ 611,218	\$ 863,595	\$ 977,058	\$ 25,523	\$ 2,477,394	

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

CITY OF WALSENBURG, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION December 31, 2014

Total Fund Balances - Governmental Funds \$ 1,392,061

Amounts reported for governmental activities in the
statement of net position are different because

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in
the fund financial statements, but are reported in the
governmental activities of the statement of net position.

Capital assets	\$ 6,956,611	
Less: Accumulated depreciation	(1,946,299)	5,010,312

Long-term liabilities are not due and payable from current
financial resources and, therefore, are not reported as
liabilities on the fund financial statements. Long-term
liabilities at year end consist of

Accrued compensated absences	(74,787)	
Accrued interest payable	(9)	(74,796)

The internal service fund is used by management to charge
the cost of certain equipment which is pooled for use across funds.
The assets and liabilities of the internal service fund are included
in the government activities column in the statement of net position.

93,948

Total Net Position Of Governmental Activities \$ 6,421,525

CITY OF WALSENBURG, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS Year Ended December 31, 2014

	General	Capital Improvement	Street Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 880,426	\$ 349,710	\$ 349,711	\$ 2,003	\$ 1,581,850
Licenses and permits	23,983	—	—	—	23,983
Intergovernmental	116,718	—	—	14,318	131,036
Grants and contributions	6,101	—	—	—	6,101
Fines and forfeitures	28,567	—	—	—	28,567
Gain (loss) on investments	(146)	604	762	29	1,249
Miscellaneous	252,899	16,118	—	—	269,017
Total Revenues	1,308,548	366,432	350,473	16,350	2,041,803
Expenditures					
Current					
General government	205,014	—	—	2,003	207,017
Public safety	630,557	—	—	—	630,557
Public works	251,784	—	10,788	—	262,572
Culture, parks and recreation	92,207	—	—	—	92,207
Donations and contributions	4,376	—	—	—	4,376
Capital outlay	—	89,832	392,096	—	481,928
Total Expenditures	1,183,938	89,832	402,884	2,003	1,678,657
Excess (Deficiency) Of Revenues Over (Under) Expenditures	124,610	276,600	(52,411)	14,347	363,146
Other Financing Sources (Uses)					
Transfers in	170,804	—	—	—	170,804
Transfers out	—	(235,014)	—	(30,000)	(265,014)
Total Other Financing Sources (Uses)	170,804	(235,014)	—	(30,000)	(94,210)
Net Change In Fund Balances	295,414	41,586	(52,411)	(15,653)	268,936
Fund Balance At Beginning Of Year	(533,817)	586,995	1,028,771	41,176	1,123,125
Fund Balance At End Of Year	\$ (238,403)	\$ 628,581	\$ 976,360	\$ 25,523	\$ 1,392,061

CITY OF WALSENBURG, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES Year Ended December 31, 2014

Total Net Change In Fund Balance - Governmental Funds	\$	268,936
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Amounts reported for governmental activities in the
statement of activities are different because

Capital outlays to purchase or build capital assets are reported
in governmental funds as expenditures. However, in the
statement of activities, the cost of those capital assets is
allocated over their estimated useful lives and reported as
depreciation expense in the current period.

Capital outlay	\$	481,928	
Depreciation expense		(118,872)	363,056

Some expenses reported in the statement of activities do
not require the use of current financial resources and,
therefore, are not reported as expenditures in governmental funds.

Change in accrued compensated absences			33,325
--	--	--	--------

The internal service fund, used by management to charge
the cost of certain equipment which is pooled for use across funds, is
reported in the government-wide statement of activities.

Governmental fund expenditures and related internal service fund revenues are eliminated.			23,796
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Change In Net Position Of Governmental Activities	\$	689,113
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CITY OF WALSENBURG, COLORADO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS December 31, 2014

	Gas	Water	Sewer	Water Park	Total	Internal Service Fund
Assets						
Current Assets						
Cash and cash equivalents	\$ 200	\$ 100	\$ 1,201	\$ 182	\$ 1,683	\$ —
Equity in pooled cash and cash equivalents	718,900	514,093	—	—	1,232,993	31,153
Equity in pooled investments	93,723	41,262	—	—	134,985	3,296
Restricted cash and cash equivalents	166,838	552,249	572,071	—	1,291,158	—
Accounts receivable, net of allowance	257,437	119,103	199,587	4,044	580,171	—
Other receivable, net of allowance	174	88,362	55,722	—	144,258	—
Due from other funds	291,327	116,570	108,535	—	516,432	—
Prepaid expenses	19,746	—	1,862	1,041	22,649	—
Inventory	176,221	—	—	8,136	184,357	—
Total Current Assets	1,724,566	1,431,739	938,978	13,403	4,108,686	34,449
Noncurrent Assets						
Capital assets, being depreciated	1,618,916	6,976,044	5,476,228	1,853,659	15,924,847	59,846
Capital assets, not being depreciated	35,500	2,311,501	503,737	73,101	2,923,839	—
Total Noncurrent Assets	1,654,416	9,287,545	5,979,965	1,926,760	18,848,686	59,846
Total Assets	3,378,982	10,719,284	6,918,943	1,940,163	22,957,372	94,295
Liabilities						
Current Liabilities						
Due to other funds	—	203,222	213,053	181,706	597,981	—
Accounts payable	66,803	29,719	320,438	8,532	425,492	347
Accrued expenses	422	13,683	17,480	—	31,585	—
Deposits and escrows	166,838	87,135	—	—	253,973	—
Accrued compensated absences	32,796	33,241	23,643	—	89,680	—
Current portion of long-term debt	12,573	163,342	144,738	—	320,653	—
Total Current Liabilities	279,432	530,342	719,352	190,238	1,719,364	347
Noncurrent Liabilities						
Long-term debt	17,264	4,082,848	4,497,766	—	8,597,878	—
Total Liabilities	296,696	4,613,190	5,217,118	190,238	10,317,242	347
Net Position						
Net investment in capital assets	1,624,579	5,041,355	1,337,461	1,926,760	9,930,155	—
Restricted	166,838	552,249	572,071	—	1,291,158	—
Unrestricted	1,290,869	512,490	(207,707)	(176,835)	1,418,817	93,948
Total Net Position	\$ 3,082,286	\$ 6,106,094	\$ 1,701,825	\$ 1,749,925	\$ 12,640,130	\$ 93,948

CITY OF WALSENBURG, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended December 31, 2014**

	Gas	Water	Sewer	Water Park	Total	Internal Service Fund
Operating Revenues						
Charges for services	\$ 1,533,000	\$ 1,302,592	\$ 934,790	\$ 82,468	\$ 3,852,850	\$ —
Miscellaneous	2,227	24,854	131,982	3,751	162,814	42,819
Total Operating Revenues	1,535,227	1,327,446	1,066,772	86,219	4,015,664	42,819
Operating Expenses						
Personnel services	282,970	257,066	222,698	63,279	826,013	—
Contract services	34,691	179,788	59,139	1,654	275,272	—
Gas expense	672,959	—	—	25,117	698,076	—
Utilities	14,438	41,055	113,179	—	168,672	—
Repairs and maintenance	34,811	78,703	61,385	44,174	219,073	—
Other supplies and expenses	34,903	85,423	47,104	83	167,513	—
Insurance expense	10,404	25,401	31,517	—	67,322	—
Miscellaneous expense	2,972	29,123	23,829	23,447	79,371	12,523
Depreciation	71,752	269,006	153,660	62,957	557,375	6,500
Total Operating Expenses	1,159,900	965,565	712,511	220,711	3,058,687	19,023
Operating Income (Loss)	375,327	361,881	354,261	(134,492)	956,977	23,796
Nonoperating Revenues (Expenses)						
Gain (loss) on investments	5,051	933	647	(106)	6,525	—
Interest expense	(7,041)	(199,192)	(219,284)	—	(425,517)	—
Total Nonoperating Revenues (Expenses)	(1,990)	(198,259)	(218,637)	(106)	(418,992)	—
Transfers						
Transfers in	—	116,570	118,444	23,654	258,668	—
Transfers out	(164,458)	—	—	—	(164,458)	—
Change In Net Position	208,879	280,192	254,068	(110,944)	632,195	23,796
Net Position At Beginning Of Year	2,873,407	5,825,902	1,447,757	1,860,869	12,007,935	70,152
Net Position At End Of Year	\$ 3,082,286	\$ 6,106,094	\$ 1,701,825	\$ 1,749,925	\$ 12,640,130	\$ 93,948

CITY OF WALSENBURG, COLORADO

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS Year Ended December 31, 2014

	Gas	Water	Sewer	Water Park	Total	Internal Service Fund
Cash Flows From Operating Activities						
Cash received from customers	\$ 1,568,150	\$ 1,317,154	\$ 938,880	\$ 82,175	\$ 3,906,359	\$ 42,819
Cash payments to suppliers	(1,205,967)	(420,449)	(30,628)	(87,032)	(1,744,076)	(12,551)
Cash payments to employees	(282,854)	(281,822)	(244,789)	(63,279)	(872,744)	—
Net Cash Provided By (Used In) Operating Activities	79,329	614,883	663,463	(68,136)	1,289,539	30,268
Cash Flows From Noncapital Financing Activities						
Transfers from other funds	—	108,159	90,712	68,784	267,655	—
Transfers to other funds	(119,318)	7,574	(9,638)	—	(121,382)	—
Net Cash Provided By (Used In) Noncapital Financing Activities	(119,318)	115,733	81,074	68,784	146,273	—
Cash Flows From Capital And Related Financing Activities						
Principal paid on debt	(17,930)	(156,086)	(138,618)	—	(312,634)	—
Interest paid on debt	(6,619)	(185,509)	(201,804)	—	(393,932)	—
Acquisition of capital assets	2	(22,456)	(355,599)	(360)	(378,413)	—
Net Cash Used In Capital And Related Financing Activities	(24,547)	(364,051)	(696,021)	(360)	(1,084,979)	—
Cash Flows From Investing Activities						
Proceeds from maturities of investments	—	(18,243)	—	—	(18,243)	—
Purchases of investments	22,420	—	7,026	—	29,446	(2,829)
Earnings on investments	5,051	933	647	(106)	6,525	—
Net Cash Provided By (Used In) Investing Activities	27,471	(17,310)	7,673	(106)	17,728	(2,829)
Net Change In Cash And Cash Equivalents	(37,065)	349,255	56,189	182	368,561	27,439
Cash And Cash Equivalents At Beginning Of Year	923,003	717,187	517,083	—	2,157,273	3,714
Cash And Cash Equivalents At End Of Year	\$ 885,938	\$ 1,066,442	\$ 573,272	\$ 182	\$ 2,525,834	\$ 31,153
Cash and cash equivalents	\$ 200	\$ 100	\$ 1,201	\$ 182	\$ 1,683	\$ —
Equity in pooled cash and cash equivalents	718,900	514,093	—	—	1,232,993	31,153
Restricted cash and cash equivalents	166,838	552,249	572,071	—	1,291,158	—
Total Cash and Cash Equivalents	\$ 885,938	\$ 1,066,442	\$ 573,272	\$ 182	\$ 2,525,834	\$ 31,153
Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities						
Operating income (loss)	\$ 375,327	\$ 361,881	\$ 354,261	\$ (134,492)	\$ 956,977	\$ 23,796
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation expense	71,752	269,006	153,660	62,957	557,375	6,500
(Increase) decrease in						
Receivables	32,923	(10,292)	(127,892)	(4,044)	(109,305)	—
Prepaid expenses	(18,910)	323	(506)	(1,041)	(20,134)	—
Inventory	(87,058)	—	—	5,870	(81,188)	—
Increase (decrease) in						
Accounts payable	(295,988)	11,518	306,031	2,614	24,175	(28)
Accrued expenses	116	(24,756)	(22,091)	—	(46,731)	—
Deposits and escrows	1,167	7,203	—	—	8,370	—
Net Cash Provided By (Used In) Operating Activities	\$ 79,329	\$ 614,883	\$ 663,463	\$ (68,136)	\$ 1,289,539	\$ 30,268

CITY OF WALSENBURG, COLORADO

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2014

	Firefighters' Pension Fund
Assets	
Equity in pooled cash and cash equivalents	\$ 46,488
Equity in pooled investments	4,919
Total Assets	<u>51,407</u>
Net Position	
Net position held in trust for pension benefits	<u>51,407</u>
Total Net Position	<u><u>\$ 51,407</u></u>

CITY OF WALSENBURG, COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION Year Ended December 31, 2014

	Volunteer Firefighters' Pension Fund
Additions	
Earnings on investments	<u>\$ 37</u>
Deductions	
Benefits paid	<u>4,500</u>
Change In Net Position	(4,463)
Net Position At Beginning Of Year	<u>55,870</u>
Net Position At End Of Year	<u><u>\$ 51,407</u></u>

CITY OF WALSENBURG, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. Summary Of Significant Accounting Policies

The City of Walsenburg, Colorado (the City) (a municipal corporation, as defined by Colorado Revised Statutes (CRS)), was established under CRS. An elected Mayor and City Council are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The City is located in Huerfano County, Colorado, and its major operations include police protection, road maintenance, utilities and culture and recreation.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Recent Accounting Pronouncements

Effective January 1, 2013, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65).

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities.

- *Deferred Outflows Of Resources* - In addition to assets, the statement of net position and governmental funds balance sheets will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

- *Deferred Inflows Of Resources* - In addition to liabilities, the statement of net position and governmental funds balance sheets will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. On the modified accrual basis of accounting, the City has recorded certain receivables where the related revenue is unavailable. Unavailable revenues have been reported as deferred inflows of resources on the governmental fund balance sheet. Unearned property taxes were recorded as deferred inflows of resources for governmental activities on the government-wide statement of net position.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the City and (b) organizations for which the City is financially accountable. The City is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. Consideration is also given to other organizations which are fiscally dependent, i.e., unable to adopt a budget, levy taxes or issue debt without approval by the City. Organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the City has two component units. The Northlands General Improvement District (the District) has the power to acquire, construct or install public improvements within its own boundaries and to finance such improvements by levying a general property tax upon the benefiting property. The District is presented as a blended component unit combined with the Sewer Fund. The Walsenburg General Improvement District (Downtown District Fund) is a blended component unit and is presented herein as a nonmajor special revenue fund. Each district is an entity which is legally separate from the City. The City Council, as required by state statute, sits as the Board of Directors for both districts. Services provided by each district are entirely for the benefit of the citizens of that district. The fiscal year end for both districts is December 31.

The City is not considered a component unit of any other government.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Basis Of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a 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 those 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.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds, rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Measurement Focus And 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 and fiduciary 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

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 collectible 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. Expenditures generally are recognized 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 recognized only when payments are due.

Sales taxes, intergovernmental grants and investment income 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.

In accordance with accounting standards, the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met or when resources are received, depending on the revenue source.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the capital projects fund. The following are the City's major and nonmajor governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Capital Improvement Fund* is a major fund, categorized as a capital projects fund that is used to account for capital projects that are supported by a 1.0% sales tax, appropriations and/or advances from the General Fund or donations from private or public sources.

The *Street Improvement Fund* is a major fund, categorized as a capital projects fund used to fund maintenance and/or capital outlay relating specifically to street improvements, supported by a designated 1.0% sales tax.

The *Downtown District Fund* (formally the *Walsenburg General Improvement District*), a nonmajor special revenue fund, accounts for assets and earnings to be used for specific purposes.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

The *Conservation Trust Fund*, a nonmajor special revenue fund, accounts for lottery proceeds required to be expended solely on park and recreation activities.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City reports the following proprietary or business-type funds:

The *Water Fund* is a major enterprise fund used to account for the purchase and delivery of water to the citizens of the City.

The *Sewer Fund* is a major enterprise fund used to account for sewer service provided to the citizens of the City. The Northlands General Improvement District is presented as a blended component unit in the Sewer Fund.

The *Gas Fund* is a major enterprise fund used to account for the purchase and delivery of natural gas to the citizens of the City.

The *Water Park Fund* is a major enterprise fund used to account for the membership, admissions and concessions revenues received by the City for the operation of a seasonal municipal swimming pool and water park.

The *Internal Service Fund* is an internal service fund used to account for fleet services used by the City.

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and for other funds. The City reports the following fiduciary fund that is not included in the government-wide statements since the resources of the fund are not available to the City:

The *Volunteer Firefighters' Pension Fund* accounts for the volunteer firemen's pension investments.

Budgets And Budgetary Accounting

An annual budget and appropriation ordinance is adopted by the City Council in accordance with the Colorado State Statutes. The budget is prepared on a basis consistent with GAAP for governmental and fiduciary funds and on a budgetary basis for proprietary funds, except for the Water Park Fund, which is on the GAAP basis.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

On or about October 15, the City staff submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Also, public hearings are conducted at a special meeting and at regular City Council meetings to obtain taxpayer comments. Prior to December 15, the budget is legally adopted by the City Council.

Colorado law requires that all funds have legally adopted budgets and that total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations.

All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the City Council throughout the year. Following is a summary of the original budget and revised budget for those funds with amended budgets for the year ended December 31, 2014:

	Original Budget	Total Revised Budget
Governmental Funds		
General Fund	\$ 1,176,660	\$ 1,176,660
Capital Improvements Fund	330,584	390,584
Street Improvements Fund	690,000	690,000
Downtown District Fund	2,100	2,100
Conservation Trust Fund	30,000	30,000
Internal Service Fund	90,020	90,020
Business-Type Funds		
Gas Fund	1,439,919	1,439,919
Water Fund	1,425,585	1,425,585
Sewer Fund	1,103,008	1,103,008
Water Park Fund	218,410	223,410
Fiduciary Funds		
Volunteer Firefighters' Pension Fund	4,500	4,500
Total For All Funds	\$ 6,510,786	\$ 6,575,786

In fiscal year 2014, expenditures exceeded amounts on the budget by \$7,278 in the General Fund.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Cash And Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months. Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as equity in pooled cash and cash equivalents, equity in pooled investments or equity in pooled restricted cash on the financial statements. Investments of the City's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments

Investments are stated at fair value based on quoted market values, with the exception of certificates of deposit. These are stated at cost plus accrued interest, which approximates fair value.

Accounts Receivable

Receivables are reported net of an allowance for uncollectible accounts. The City writes off bad debts when accounts are deemed uncollectible. Receivables are reviewed annually to determine accounts that should be written off and to make any adjustments to allowance for doubtful accounts. As of December 31, 2014, the City had an allowance for uncollectible accounts relating to the Water Fund of \$2,000, Sewer Fund of \$2,500 and Gas Fund of \$45,000, totaling \$49,500.

Property Taxes

Annual property taxes are levied and assessed on January 1 and are certified by the City by November 1 of the current year. On January 1 of the following year, the County Treasurer bills the property owners, thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits the collections on a monthly basis to the City. The City recognizes a receivable, net of estimated uncollectible accounts, for property tax levied upon certification by the County Treasurer. A deferred inflow of resources is recorded in the same amount since the taxes are not available at year end to fund expenditures of the current year.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses.

Inventory

Inventory consists of supplies for the City's use and, in the Gas Fund, natural gas held in storage. Inventories are carried at the lower of cost or market using the first-in, first-out method.

Bond Premium And Debt Issuance Costs

The bond premium is amortized over the life of the debt using the effective interest method and presented as an adjustment to the face amount of the debt. Debt issuance costs are expensed in the period incurred.

Capital Assets

Capital assets, which include land, land improvements, distribution systems, buildings, equipment and vehicles, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year for all assets. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

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

Asset Description	Years
Land	N/A
Utility plant	40
Streets	40
Buildings and improvements	15 - 40
Equipment and furniture	3 - 15
Software	3 - 5

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Accrued Compensated Absences Payable

In accordance with accounting standards, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements and the enterprise fund financial statements. Compensated absences are reported in governmental funds only if they have matured.

Accrued Liabilities And Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statement, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance And Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment In Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City which is not restricted for any project or other purpose. A deficit will require future funding.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

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

Accounting standards define the different types of fund balances that a governmental entity must use for financial reporting purposes. These standards require the fund balance amounts to be reported within one of the fund balance categories listed below:

Nonspendable Fund Balance - cannot ever be spent, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted Fund Balance - indicates constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislations.

Committed Fund Balance - includes amounts that can be used only for the specific purposes determined by a resolution approved by the City Council.

Assigned Fund Balance - intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance allows City Council to delegate the authority to spend to the City Manager or designee.

Unassigned Fund Balance - the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications.

Based on the definitions above, the City only has nonspendable, restricted and unassigned fund balances. When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, then unassigned resources as they are needed.

At December 31, 2014, the City had a deficit fund balance of \$238,403 in the General Fund. This is primarily due to the violation of TABOR mentioned in Note 11, which resulted in significant refunds of property taxes. The City is working to reduce expenditures until all property tax refunds are repaid.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements *(Continued)*

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Use Of Estimates

The preparation of financial statements in conformity with GAAP requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Cash And Cash Equivalents

The composition of the City's cash and cash equivalents, including restricted cash on December 31, 2014, is as follows:

Cash on hand	\$ 5,068
Cash held with County Treasurer	17,642
Cash deposits	1,255,392
Local government investment pools	<u>2,370,384</u>
Total	<u><u>\$ 3,648,486</u></u>

The above amounts are classified in the statement of net position and fiduciary net position as follows:

Government-Wide Financial	
Cash and cash equivalents	\$ 2,310,840
Restricted cash and cash equivalents	1,291,158
Fiduciary cash and cash equivalents	<u>46,488</u>
Total	<u><u>\$ 3,648,486</u></u>

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Custodial Credit Risk - Deposits

There is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. 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 limits must be collateralized by eligible collateral as determined by PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution or held in trust for all of 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 Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2014, all of the City's deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the PDPA program, and are, therefore, not deemed to be exposed to custodial credit risk.

3. Investments

Investments

At December 31, 2014, the City's investments in debt securities, certificates of deposit and other investments consisted of the following:

Investment Type	Fair Value	Weighted Average Maturity (In Years)	Percentage Of Investment Portfolio	S&P Credit Rating
Federal National Home Mortgage Assn.	\$ 46,800	20.19	16.4%	AAA
Certificates of deposit	237,790	1.00	83.6%	N/A
Total	\$ 284,590			

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Local Government Investment Pool

At December 31, 2014, the City had invested \$2,370,384 in the Colorado Government Liquid Asset Trust (COLOTRUST), a local government investment pool established in Colorado to pool surplus funds for investment purposes. These funds operate similarly to a money market fund, and each share is equal in value to \$1.00. The designated custodial bank of the pooled investment provides safekeeping and depository services in connection with the direct investment and withdrawal functions of the pooled investment. All securities owned by pooled investments are held by the Federal Reserve Bank in the account maintained for the custodial bank. Investments of pooled investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. The final maturity of any and all securities purchased by pooled investments may not exceed one year. COLOTRUST is rated AAAM by Standard & Poor's. The investment policy of COLOTRUST does not include investing in derivatives.

Credit Risk

The City's investment policy defines allowable investments instruments including:

- U.S. Treasury obligations
- U.S. instrumentality obligations
- Certificates of deposit with original maturities of three months or more
- Commercial paper rated in the highest tier by a nationally recognized rating agency
- Repurchase agreements
- Investment grade obligations of state, county and local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist of only dollar denominated securities
- Local government investment pools

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of a failure of a counter party, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a specific policy for custodial credit risk. As of December 31, 2014, the City has substantially mitigated its exposure to credit risk by investing the majority of its assets in U.S. Treasury securities and certificates of deposit covered by FDIC and PDPA.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Interest Rate Risk

CRS and the City's investment policies 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 value losses arising from increasing interest rates.

Restricted Cash And Investments

At December 31, 2014, the Water and Sewer Funds restricted \$465,114 and \$473,174, respectively, representing the required reserve in the 2007 revenue bond ordinance. In addition, the Gas Fund restricted \$166,838 and the Water Fund restricted \$87,135 for escrow deposits. The Volunteer Firefighters Pension Fund is holding \$51,407.

4. Interfund Transfers And Balances

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

Following is a schedule of operating transfers during the year:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 170,804	\$ —
Capital Improvement Fund	—	235,014
Conservation Trust Fund	—	30,000
Enterprise Funds		
Gas Fund	—	164,458
Water Fund	116,570	—
Sewer Fund	118,444	—
Water Park Fund	23,654	—
Totals	\$ 429,472	\$ 429,472

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Following is a schedule of outstanding interfund balances at December 31, 2014:

	Due To	Due From
Governmental Funds		
General Fund	\$ 306,278	\$ 38,212
Capital Improvement Fund	235,014	584,629
Enterprise Funds		
Gas Fund	—	291,327
Water Fund	203,222	116,570
Sewer Fund	213,053	108,535
Water Park Fund	181,706	—
Totals	\$ 1,139,273	\$ 1,139,273

5. Capital Assets

The following is a summary of changes in capital assets in the governmental activities for the year ended December 31, 2014:

	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,015,386	\$ —	\$ —	\$ 2,015,386
Total Capital Assets, Not Being Depreciated	2,015,386	—	—	2,015,386
Capital assets, being depreciated				
Buildings and improvements	1,349,887	—	—	1,349,887
Streets	2,739,257	392,096	—	3,131,353
Equipment and furniture	415,904	89,832	—	505,736
Software	20,595	—	—	20,595
Total Capital Assets, Being Depreciated	4,525,643	481,928	—	5,007,571
Less accumulated depreciation for				
Buildings and improvements	1,167,347	14,585	—	1,181,932
Streets	402,170	69,333	—	471,503
Equipment and furniture	239,374	39,394	—	278,768
Software	18,536	2,060	—	20,596
Total Accumulated Depreciation	1,827,427	125,372	—	1,952,799
Capital Assets Being Depreciated, Net	2,698,216	356,556	—	3,054,772
Total Governmental Activities Capital Assets	\$ 4,713,602	\$ 356,556	\$ —	\$ 5,070,158

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

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

General government	\$ 21,281
Public works	92,681
Culture, parks and recreation	<u>11,410</u>
	<u>\$ 125,372</u>

The following is a summary of changes in capital assets in the business-type activities for the year ended December 31, 2014:

	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land, easements and water rights	\$ 2,493,765	\$ —	\$ —	\$ 2,493,765
Construction in progress	146,284	283,790	—	430,074
Total Capital Assets, Not Being Depreciated	2,640,049	283,790	—	2,923,839
Capital assets, being depreciated				
Utility plant	15,855,411	—	—	15,855,411
Buildings and improvements	12,474,006	71,809	—	12,545,815
Equipment and furniture	720,905	22,814	—	743,719
Total Capital Assets, Being Depreciated	29,050,322	94,623	—	29,144,945
Less: Accumulated depreciation	12,662,723	557,375	—	13,220,098
Capital Assets, Being Depreciated, Net	16,387,599	(462,752)	—	15,924,847
Total Business-Type Activities Capital Assets	\$ 19,027,648	\$ (178,962)	\$ —	\$ 18,848,686

6. Long-Term Liabilities

Business-Type Activities

Capital Leases

In 2006, the City entered into a capital lease for the purchase of utility meter equipment with an original principal balance of \$382,683. The lease accrues interest at a rate of approximately 6.5% and is payable in equal monthly installments of \$50,890, with a maturity date of June 5, 2016. The lease is funded 72% by the Water Fund and 28% by the Gas Fund.

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

In 2010, the City entered into a capital lease for the purchase of copier equipment with an original principal balance of \$29,952. The lease accrues interest at a rate of approximately 6.3% and is payable in equal monthly installments of \$583, with a maturity date of June 27, 2015. The lease is funded 10% by the General Fund, 20% by the Water Fund, 50% by the Gas Fund and 20% by the Sewer Fund.

2007 Revenue Bonds

In 2007, the City issued \$9,700,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 2007 (the Bonds). The Bonds are special, limited obligations of the City payable solely from the net revenue derived by the City from operation of the City's water and sewer systems. The Bonds constitute an irrevocable lien (but not necessarily an exclusive such lien) upon the net revenue. The Bonds do not constitute a general obligation of the City or an obligation of the State of Colorado or Huerfano County.

The Bonds were issued by the City to (1) improve and equip the City's sewer system, (2) advance refund the City's outstanding Water Revenue Bonds, Series 1999, (3) purchase a municipal bond insurance policy, (4) fund the Reserve Fund and (5) pay the costs of issuance of the Bonds.

The Bonds mature on December 1, 2032 and are subject to early redemption at the option of the City and are also subject to mandatory sinking fund redemption. Interest rates on the Bonds range from 4.0% to 5.0%.

Bank Notes Payable

The City has executed a promissory note with the State of Colorado Department of Local Affairs for the purpose of asset acquisitions. The note accrues interest at a rate of approximately 5%. The outstanding balance of the promissory note was paid off as of December 31, 2014.

Changes in long-term debt for the year ended December 31, 2014 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 108,112	\$ —	\$ (33,325)	\$ 74,787	\$ 74,787
Business-Type Activities					
Capital lease obligations	\$ 147,105	\$ —	\$ (49,262)	\$ 97,843	\$ 45,653
Revenue bonds	9,020,000	—	(260,000)	8,760,000	275,000
Premium on the issuance of bonds	64,060		(3,372)	60,688	—
Compensated absences	97,949	—	(8,269)	89,680	89,680
Total Business-Type Activities	\$ 9,329,114	\$ —	\$ (320,903)	\$ 9,008,211	\$ 410,333

CITY OF WALSENBURG, COLORADO

Notes To Financial Statements (*Continued*)

Assets acquired through lease purchases have a book value at December 31, 2014, as shown below:

	<u>Business-Type Activities</u>
Equipment and furniture	\$ 400,469
Accumulated depreciation	(183,083)
Total	\$ 217,386

The following table represents future debt service requirements of the City's long-term liabilities:

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 320,653	\$ 403,831
2016	357,190	389,533
2017	335,000	371,593
2018	375,000	354,843
2019	395,000	338,905
2020 - 2024	2,250,000	1,422,208
2025 - 2029	2,805,000	880,403
2030 - 2032	2,020,000	194,982
Total	\$ 8,857,843	\$ 4,356,298

7. Rate Maintenance - Water And Sewer Fund

The City has pledged future reclaimed water and sewer customer revenues, net of specified operating expenses, to repay \$9.7 million in 2007 Revenue Bonds issued in 2007. Proceeds from the Bonds were used for expansion of the City's treatment plant which provides reclaimed water for irrigation purposes. Principal and interest on the Bonds are payable through 2032, solely from the reclaimed water and sewer customer net revenues. Annual principal and interest on the Bonds are expected to require approximately 98% of such net revenues. Principal and interest paid for the current year was \$669,580. Net reclaimed water and sewer customer revenues totaled \$848,669 for the year. At year end, pledged future revenues totaled \$9,020,000, which was the amount of the remaining principal and interest on the Bonds.

Subject to the provision of the Bonds, the City shall establish, levy and collect rents, rates and other charges for the products and services provided by the City's water system (the System) in an amount sufficient to: (1) meet the operation and maintenance expenses of the System, (2) comply with all covenants in the loan resolution and (3) pay at least 100% of the debt service on all indebtedness or at least 110% of all such debt if connection fees are included as a source of payment. The City has complied with these requirements.

8. Pension Plans

Volunteer Firefighters' Pension Fund

The Volunteer Firefighters' Pension Fund is a closed defined benefit plan. The City Council established a \$75 per month pay-out to participants. As of December 31, 2014, the fund had five participants. The City is no longer contributing to the fund. The fund will continue to exist until the death of the beneficiaries. The City has not yet established a policy on the payout of any remaining funds at the end of the payout period.

Policemen Pension Plan

All of the City's full-time policemen are eligible and must participate in the single-employer, defined contribution pension plan adopted by the City with Principal Mutual Life Insurance Company.

Participants and the City are each required to contribute 11% of the employee's annual salary to the plan. The payroll for employees covered by the plan for the year ended December 31, 2014 was approximately \$265,732. The City's total payroll for 2014 was approximately \$1,099,775. Employer contributions were approximately \$28,673 for 2014. Employee contributions under the plan were \$28,673 for 2014.

The employee contribution is fully refundable upon request. The pension plan provides pension benefits, disability, retirement and survivor benefits. Participants become vested in employer contributions at 20% per year after 2 years of service and are fully vested after 7 years of service. Participants are eligible for retirement benefits upon reaching age 55 and the 20th anniversary of the person's date of commencement of participation in the plan. A lump sum distribution or an annuity of vested benefits is payable upon death or disability. Retirement benefits may be made in single life or joint life payments.

The employee may elect to receive a lump sum payment of all vested benefits upon termination of employment.

Defined Contribution Plan

In October 1995, the City adopted a single-employer defined contribution retirement plan for City employees. The plan is maintained by Principal Mutual Life Insurance Company.

Participants are required to contribute 3% of their eligible wages. Additional contributions can be made to the plan by employees. The maximum amount allowable is the lesser of 25% of eligible compensation or \$30,000. The City is required to contribute 3% of eligible wages. Eligible wages were approximately \$687,670 for 2014. Employee and employer contributions were approximately \$41,979 for 2014.

All City employees are covered under the plan if they meet eligibility requirements specified in the plan document.

The employee contribution is fully refundable. Participants become vested in employer contributions at 20% per year after two years of service and are fully vested after seven years or more. Participants are eligible for retirement benefits upon death, retirement or termination of employment. A lump sum distribution or an annuity of vested benefits is payable upon death. Retirement benefits may be made in a single life payment or joint life payments. The employee may elect to receive a lump sum payment of all vested benefits upon termination of employment.

9. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for 161 member towns and cities. The City pays an annual premium to CIRSA for its property/casualty, workers compensation, boiler and machinery and volunteer accident medical insurance coverage. The agreement for the formation of CIRSA provides that it will be self-sustaining through member premiums and will provide members the coverage authorized through joint self-insurance, insurance, reinsurance or any combination thereof, provide claims services related to such coverage and provide risk management and loss control services.

The City continues to contribute toward commercial insurance for employee health and accident insurance. The City, in its opinion, has obtained adequate coverage as required by CRS to settle claims in the ordinary course of business. However, due to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the City would be financially responsible. Settled claims resulting from these risks have not exceeded commercial insurance the past three years.

10. Commitments And Contingencies

Litigation

The City is currently involved in legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the City.

Environmental Matters

It is likely that several City buildings contain asbestos, and the City is a potentially responsible party regarding environmental impacts. Although a loss is probable, it is not possible to reasonably estimate the amount of any obligation for remediation that would be material to the City's financial statements at December 31, 2014.

Landfill

The City is required to comply with the Colorado Department of Health under CRS 30-20-100.5 through 30-20-119 in regards to its municipal solid waste landfill. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill sites for a period of time after closure. The City closed the landfill in 1996 and has not incurred any additional costs for the landfill. Although a liability is probable, it is not possible to reasonably estimate the amount of any obligation for post-closure care costs that would be material to the City's financial statements at December 31, 2014.

11. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR required advance voter approval for the creation of any multiple-fiscal-year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$50,360 for TABOR.

In 1995, the City's residents voted to retain revenues and not be subject to the fiscal year spending limitations of TABOR, providing that no local tax rate or mill levy shall be increased without further voter approval. In August of 2011, it was determined by management of the City that the City had violated provisions of TABOR by increasing the property tax mill levy without voter approval. Pursuant to TABOR, the City is required to refund excess revenues by issuing temporary tax credits or a tax rate reduction. The amount to be refunded, including interest accrued at 10% using a simple-interest method, as of December 31, 2014 is approximately \$249,263.

12. Related-Party Transactions

A council member is listed as the principal for Rambler 66. During 2014, the City made purchases from Rambler 66 in the amount of \$1,616 at December 31, 2014.

A council member is listed as the manager for J.M. Tire. During 2014, the City made purchases from J.M. Tire in the amount of \$10,124 at December 31, 2014.

A member of City management is the co-owner of Main Street Office Supply, but takes no visibly active role in the business. During 2014, the City made purchases from Main Street Office Supply in the amount of \$7,055 at December 31, 2014.

13. Subsequent Events

Subsequent to the year ended December 31, 2014, the City began drawing on a \$800,000 line of credit for the Northland project.

14. Change In Accounting Principle

Based on GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of December 31, 2014, the City redefined its Capital Improvement Fund and Street Improvement Fund from special revenue funds to capital project funds. Capital project funds are defined as funds used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays. The change in accounting principle is preferable as the Capital Improvement Fund and Street Improvement Fund are primarily funds used for funds restricted for capital projects.

Required Supplementary Information

CITY OF WALSENBURG, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended December 31, 2014**

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Taxes and fees	\$ 887,037	\$ 880,426	\$ (6,611)
Licenses and permits	28,640	23,983	(4,657)
Intergovernmental	111,507	116,718	5,211
Grants and contributions	6,700	6,101	(599)
Fines and forfeitures	40,050	28,567	(11,483)
Gain (loss) on investments	75	(146)	(221)
Miscellaneous	4,980	252,899	247,919
Total Revenues	1,078,989	1,308,548	229,559
Expenditures			
Current			
General government	200,451	205,014	(4,563)
Public safety	643,410	630,557	12,853
Public works	255,770	251,784	3,986
Culture, parks and recreation	74,029	92,207	(18,178)
Donations and contributions	3,000	4,376	(1,376)
Total Expenditures	1,176,660	1,183,938	(7,278)
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(97,671)	124,610	222,281
Other Financing Sources (Uses)			
Transfers in	97,671	170,804	73,133
Net Change In Fund Balances	\$ —	295,414	\$ 295,414
Fund Balance At Beginning Of Year		(533,817)	
Fund Balance At End Of Year		\$ (238,403)	

Notes: The basis of budgeting is the same as GAAP. This schedule is presented on a GAAP basis.

Other Supplementary Information

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes and fees	\$ 330,384	\$ 330,384	\$ 349,710	\$ 19,326
Earnings on investments	200	200	604	404
Miscellaneous	—	—	16,118	16,118
Total Revenues	330,584	330,584	366,432	35,848
Expenditures				
Capital outlay	50,000	50,000	89,832	(39,832)
Contingency	51,758	111,758	—	111,758
Total Expenditures	101,758	161,758	89,832	71,926
Excess Of Revenues Over Expenditures	228,826	168,826	276,600	107,774
Other Financing Sources (Uses)				
Transfers out	(228,826)	(228,826)	(235,014)	(6,188)
Net Change In Fund Balances	<u>\$ —</u>	<u>\$ (60,000)</u>	41,586	<u>\$ 101,586</u>
Fund Balance At Beginning Of Year			<u>586,995</u>	
Fund Balance At End Of Year			<u>\$ 628,581</u>	

Notes: The basis of budgeting is the same as GAAP. This schedule is presented on a GAAP basis.

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE - STREET IMPROVEMENT FUND Year Ended December 31, 2014

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Taxes	\$ 330,384	\$ 349,711	\$ 19,327
Earnings on investments	1,800	762	(1,038)
Total Revenues	332,184	350,473	18,289
Expenditures			
Current			
Public works	—	10,788	(10,788)
Capital outlay	690,000	392,096	297,904
Total Expenditures	690,000	402,884	287,116
Deficiency Of Revenues Under Expenditures	(357,816)	(52,411)	305,405
Change In Fund Balances	<u>\$ (357,816)</u>	<u>(52,411)</u>	<u>\$ 305,405</u>
Fund Balance At Beginning Of Year		<u>1,028,771</u>	
Fund Balance At End Of Year		<u>\$ 976,360</u>	

Notes: The basis of budgeting is the same as GAAP. This schedule is presented on a GAAP basis.

CITY OF WALSENBURG, COLORADO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS December 31, 2014

Assets

	Downtown District	Conservation Trust	Total
Cash and cash equivalents	\$ 3,167	\$ —	\$ 3,167
Equity in pooled cash and cash equivalents	—	20,206	20,206
Equity in pooled investments	—	2,138	2,138
Accounts receivable	12	—	12
Total Assets	\$ 3,179	\$ 22,344	\$ 25,523

Fund Balance

Restricted, reported in special revenue funds	\$ 3,179	\$ 22,344	\$ 25,523
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CITY OF WALSENBURG, COLORADO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2014**

	Downtown District	Conservation Trust	Total
Revenues			
Taxes	\$ 2,003	\$ —	\$ 2,003
Intergovernmental	—	14,318	14,318
Earnings on investments	—	29	29
Total Revenues	2,003	14,347	16,350
Expenditures			
General government	2,003	—	2,003
Excess Of Revenues Over Expenditures	—	14,347	14,347
Other Financing Uses			
Transfers out	—	(30,000)	(30,000)
Change In Fund Balance	—	(15,653)	(15,653)
Fund Balance At Beginning Of Year	3,179	37,997	41,176
Fund Balance At End Of Year	\$ 3,179	\$ 22,344	\$ 25,523

CITY OF WALSENBURG, COLORADO

COMBINING BALANCE SHEET - SEWER FUNDS December 31, 2014

	Sewer	Northlands	Sewer Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 100	\$ 1,101	\$ 1,201
Restricted cash and cash equivalents	572,071	—	572,071
Accounts receivable, net of allowance	199,587	—	199,587
Other receivables	55,722	—	55,722
Due from other funds	108,535	—	108,535
Prepaid expenses	1,862	—	1,862
Total Current Assets	937,877	1,101	938,978
Noncurrent Assets			
Capital assets, being depreciated	5,476,228	—	5,476,228
Capital assets, not being depreciated	219,947	—	219,947
Construction in progress	—	283,790	283,790
Total Noncurrent Assets	5,696,175	283,790	5,979,965
Total Assets	6,634,052	284,891	6,918,943
Liabilities			
Current Liabilities			
Due to other funds	213,053	—	213,053
Accounts payable	16,059	304,379	320,438
Accrued expenses	17,480	—	17,480
Accrued compensated absences	23,643	—	23,643
Current portion of long-term debt	144,738	—	144,738
Total Current Liabilities	414,973	304,379	719,352
Noncurrent Liabilities			
Long-term debt	4,497,766	—	4,497,766
Total Liabilities	4,912,739	304,379	5,217,118
Net Position			
Net investment in capital assets	1,053,671	283,790	1,337,461
Restricted for debt service	572,071	—	572,071
Unrestricted	95,571	(303,278)	(207,707)
Total Net Position	\$ 1,721,313	\$ (19,488)	\$ 1,701,825

CITY OF WALSENBURG, COLORADO

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
SEWER FUNDS****Year Ended December 31, 2014**

	Sewer	Northlands	Sewer Funds
Operating Revenues			
Charges for services	\$ 934,790	\$ —	\$ 934,790
Miscellaneous	131,982	—	131,982
Total Operating Revenues	1,066,772	—	1,066,772
Operating Expenses			
Personnel services	215,160	7,538	222,698
Contract services	59,139	—	59,139
Utilities	113,179	—	113,179
Repairs and maintenance	49,434	11,951	61,385
Other supplies and expenses	47,104	—	47,104
Insurance expense	31,517	—	31,517
Miscellaneous expense	23,829	—	23,829
Depreciation	153,660	—	153,660
Total Operating Expenses	693,022	19,489	712,511
Operating Income (Loss)	373,750	(19,489)	354,261
Nonoperating Revenues (Expenses)			
Interest earned	646	1	647
Interest expense	(219,284)	—	(219,284)
Total Nonoperating Revenues (Expenses)	(218,638)	1	(218,637)
Transfers			
Transfers in	118,444	—	118,444
Change In Net Position	273,556	(19,488)	254,068
Net Position At Beginning Of Year	1,447,757	—	1,447,757
Net Position At End Of Year	\$ 1,721,313	\$ (19,488)	\$ 1,701,825

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GAS FUND

Year Ended December 31, 2014

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Operating Revenues			
Charges for services	\$ 1,600,619	\$ 1,533,000	\$ (67,619)
Miscellaneous revenue	(164,500)	2,227	166,727
Total Operating Revenues	1,436,119	1,535,227	99,108
Operating Expenses			
Personnel services	304,131	282,970	21,161
Contract services	27,024	34,691	(7,667)
Gas expense	719,846	672,959	46,887
Utilities	12,628	14,438	(1,810)
Repairs and maintenance	42,003	34,811	7,192
Other supplies and expenses	114,358	34,903	79,455
Insurance expense	10,820	10,404	416
Miscellaneous expense	1,453	2,972	(1,519)
Depreciation	72,773	71,752	1,021
Principal paid	17,930	17,930	—
Contingency	56,527	—	56,527
Total Operating Expenses	1,379,493	1,177,830	201,663
Operating Income	56,626	357,397	300,771
Other Revenue (Expense) And Transfers			
Gain on investments	3,800	5,051	1,251
Interest expense	(3,903)	(7,041)	(3,138)
Transfers out	(56,523)	(164,458)	(107,935)
Total Other Expense And Transfers	(56,626)	(166,448)	(109,822)
Change In Net Position - Budgetary Basis	\$ —	190,949	\$ 190,949
Reconciliation To GAAP Basis			
Principal paid		17,930	
Change In Net Position - GAAP Basis		208,879	
Net Position At Beginning Of Year		2,873,407	
Net Position At End Of Year		\$ 3,082,286	

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - WATER FUND

Year Ended December 31, 2014

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Operating Revenues			
Charges for services	\$ 1,287,826	\$ 1,302,592	\$ 14,766
Miscellaneous	8,000	24,854	16,854
Total Operating Revenues	1,295,826	1,327,446	31,620
Operating Expenses			
Personnel services	256,929	257,066	(137)
Contract services	82,950	179,788	(96,838)
Utilities	39,517	41,055	(1,538)
Repairs and maintenance	65,896	78,703	(12,807)
Other supplies and expenses	207,239	85,423	121,816
Insurance expense	24,616	25,401	(785)
Miscellaneous expense	51,489	29,123	22,366
Depreciation	267,799	269,006	(1,207)
Principal paid	160,000	156,086	3,914
Capital outlay	12,500	22,456	(9,956)
Contingency	51,235	—	51,235
Total Operating Expenses	1,220,170	1,144,107	76,063
Operating Income (Loss)	75,656	183,339	107,683
Other Revenue (Expense) And Transfers			
Gain on investments	750	933	183
Transfers in	129,009	116,570	(12,439)
Interest expense	(205,415)	(199,192)	6,223
Total Other Expense And Transfers	(75,656)	(81,689)	(6,033)
Change In Net Position - Budgetary Basis	\$ —	101,650	\$ 101,650
Reconciliation To GAAP Basis			
Principal paid		156,086	
Capital outlay		22,456	
Change In Net Position - GAAP Basis		280,192	
Net Position At Beginning Of Year		5,825,902	
Net Position At End Of Year		\$ 6,106,094	

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SEWER FUNDS

Year Ended December 31, 2014

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Operating Revenues			
Charges for services	\$ 1,002,491	\$ 934,790	\$ (67,701)
Miscellaneous	—	131,982	131,982
Total Operating Revenues	1,002,491	1,066,772	64,281
Operating Expenses			
Personnel services	229,591	222,698	6,893
Contract services	18,250	59,139	(40,889)
Utilities	74,028	113,179	(39,151)
Repairs and maintenance	15,070	61,385	(46,315)
Other supplies and expenses	175,720	47,104	128,616
Insurance expense	18,254	31,517	(13,263)
Miscellaneous expense	16,468	23,829	(7,361)
Depreciation	153,062	153,660	(598)
Principal paid	138,618	138,618	—
Contingency	7,370	—	7,370
Total Operating Expenses	846,431	851,129	(4,698)
Operating Income	156,060	215,643	59,583
Other Revenue (Expense) And Transfers			
Earnings on investments	700	647	(53)
Transfers in	99,817	118,444	18,627
Interest expense	(256,577)	(219,284)	37,293
Total Other Expense And Transfers	(156,060)	(100,193)	55,867
Change In Net Position - Budgetary Basis	\$ —	115,450	\$ 115,450
Reconciliation To GAAP Basis			
Principal paid		138,618	
Change In Net Position - GAAP Basis		254,068	
Net Position At Beginning Of Year		1,447,757	
Net Position At End Of Year		\$ 1,701,825	

CITY OF WALSENBURG, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
WATER PARK FUND
Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget Positive (Negative)</u>
Operating Revenues				
Charges for services	\$ 97,450	\$ 97,450	\$ 82,468	\$ (14,982)
Miscellaneous	30	30	3,751	3,721
Total Operating Revenues	97,480	97,480	86,219	(11,261)
Operating Expenses				
Personnel services	58,976	58,976	63,279	(4,303)
Contract services	—	—	1,654	(1,654)
Gas expense	36,756	36,756	25,117	11,639
Repairs and maintenance	35,831	35,831	44,174	(8,343)
Other supplies and expenses	—	—	83	(83)
Utilities	3,000	3,000	—	3,000
Depreciation	62,597	62,597	62,957	(360)
Contingency	21,250	26,250	23,447	2,803
Total Operating Expenses	218,410	223,410	220,711	2,699
Operating Loss	(120,930)	(125,930)	(134,492)	(8,562)
Other Revenue (Expense) And Transfers				
Loss on investments	—	—	(106)	(106)
Transfers in	30,000	30,000	23,654	(6,346)
Total Other Revenue And Transfers	30,000	30,000	23,548	(6,452)
Change In Net Position - Budgetary Basis	\$ (90,930)	\$ (95,930)	(110,944)	\$ (15,014)
Net Position At Beginning Of Year			<u>1,860,869</u>	
Net Position At End Of Year			<u>\$ 1,749,925</u>	

CITY OF WALSENBURG, COLORADO

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - INTERNAL SERVICE FUND Year Ended December 31, 2014

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Miscellaneous	\$ 90,020	\$ 42,819	\$ (47,201)
Expenditures			
Current			
Capital outlay	50,000	—	50,000
Miscellaneous	7,930	12,523	(4,593)
Contingency	32,090	—	32,090
Total Expenditures	90,020	12,523	77,497
Change In Net Position - Budgetary Basis	<u>\$ —</u>	30,296	<u>\$ 30,296</u>
Reconciliation To GAAP Basis			
Depreciation		(6,500)	
Change In Net Position - GAAP Basis		23,796	
Net Position At Beginning Of Year		70,152	
Net Position At End Of Year		<u>\$ 93,948</u>	

CITY OF WALSENBURG, COLORADO

**BUDGETARY COMPARISON SCHEDULE - FIDUCIARY FUND -
VOLUNTEER FIREFIGHTERS' PENSION FUND
Year Ended December 31, 2014**

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Earnings on investments	\$ 80	\$ 37	\$ (43)
Expenditures			
Benefits paid	4,500	4,500	—
Change In Net Position	<u>\$ (4,420)</u>	<u>(4,463)</u>	<u>\$ (43)</u>
Net Position At Beginning Of Year		<u>55,870</u>	
Net Position At End Of Year		<u>\$ 51,407</u>	

CITY OF WALSENBURG, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
NONMAJOR GOVERNMENTAL FUNDS -
DOWNTOWN DISTRICT FUND
Year Ended December 31, 2014**

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Taxes	\$ 2,100	\$ 2,003	\$ (97)
Expenditures			
Current			
General government	2,100	2,003	97
Change In Fund Balance	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>
Fund Balance At Beginning Of Year		<u>3,179</u>	
Fund Balance At End Of Year		<u>\$ 3,179</u>	

CITY OF WALSENBURG, COLORADO

**BUDGETARY COMPARISON SCHEDULE -
NONMAJOR GOVERNMENTAL FUNDS -
CONSERVATION TRUST FUND
Year Ended December 31, 2014**

	Budgeted Amounts Original And Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental			
State shared revenue	\$ 15,000	\$ 14,318	\$ (682)
Earnings on investments	60	29	(31)
Total Revenues	15,060	14,347	(713)
Expenditures			
Culture, parks and recreation	—	—	—
Excess Of Revenues Over Expenditures	15,060	14,347	(713)
Other Financing Uses			
Transfers out	(30,000)	(30,000)	—
Change In Fund Balance	\$ (14,940)	(15,653)	\$ (713)
Fund Balance At Beginning Of Year		37,997	
Fund Balance At End Of Year		\$ 22,344	

CITY OF WALSENBURG, COLORADO

LOCAL HIGHWAY FINANCE REPORT Year Ended December 31, 2014

Financial Planning 02/14
Form # 350-050-36

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

LOCAL HIGHWAY FINANCE REPORT				City or County: Walsenburg	
				YEAR ENDING: December 2014	
This Information From The Records Of (example - City of _ or County of Walsenburg)			Prepared By: David G. Johnston, City Administrator Phone: 719-738-1048 x243		
I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE					
ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration	
1. Total receipts available					
2. Minus amount used for collection expenses					
3. Minus amount used for nonhighway purposes					
4. Minus amount used for mass transit					
5. Remainder used for highway purposes					
II. RECEIPTS FOR ROAD AND STREET PURPOSES			III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES		
ITEM	AMOUNT	ITEM	AMOUNT		
A. Receipts from local sources:		A. Local highway disbursements:			
1. Local highway-user taxes		1. Capital outlay (from page 2)	545,806		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:			
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			
3. Other local imposts (from page 2)	378,152	c. Other			
4. Miscellaneous local receipts (from page 2)	762	d. Total (a. through c.)	0		
5. Transfers from toll facilities		4. General administration & miscellaneous			
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety			
a. Bonds - Original Issues		6. Total (1 through 5)	545,806		
b. Bonds - Refunding Issues		B. Debt service on local obligations:			
c. Notes		1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest			
7. Total (1 through 6)	378,914	b. Redemption			
B. Private Contributions		c. Total (a. + b.)	0		
C. Receipts from State government (from page 2)	116,718	2. Notes:			
D. Receipts from Federal Government (from page 2)	0	a. Interest			
E. Total receipts (A.7 + B + C + D)	495,632	b. Redemption			
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	0		
		C. Payments to State for highways			
		D. Payments to toll facilities			
		E. Total disbursements (A.6 + B.3 + C + D)	545,806		
IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)					
	Opening Debt	Amount Issued	Redemptions	Closing Debt	
A. Bonds (Total)				0	
1. Bonds (Refunding Portion)					
B. Notes (Total)				0	
V. LOCAL ROAD AND STREET FUND BALANCE					
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	91,620	495,632	545,806	41,446	0
Notes and Comments:					

FORM FHWA-536 (Rev. 1-05)

PREVIOUS EDITIONS OBSOLETE

(Next Page)

CITY OF WALSENBURG, COLORADO

LOCAL HIGHWAY FINANCE REPORT Year Ended December 31, 2014

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2014	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	762
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	349,711	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	28,441	g. Other Misc. Receipts	
6. Total (1. through 5.)	378,152	h. Other	0
c. Total (a. + b.)	378,152	i. Total (a. through h.)	762
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	116,718	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) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	116,718	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		20,770	20,770
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		524,809	524,809
(4). System Enhancement & Operation		227	227
(5). Total Construction (1) + (2) + (3) + (4)	0	525,036	525,036
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	545,806	545,806
			(Carry forward to page 1)
Notes and Comments:			

FORM FHWA-536 (Rev.1-05)

PREVIOUS EDITIONS OBSOLETE