

**Town of Carbondale, Colorado**

**Financial Report**

**December 31, 2006**



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Financial Report  
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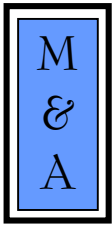
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## INDEPENDENT AUDITOR'S REPORT

### **The Honorable Mayor and Town Council Town of Carbondale, Colorado**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carbondale, Colorado, (the "Town"), as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's non-major governmental funds as presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the management of the Town. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carbondale, Colorado, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The budgetary schedules in section E are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary fund information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects the basic financial statements taken as a whole.

*Performing services for local governments throughout Colorado*

*D. Jerry McMahan, C.P.A.  
Paul J. Backes, C.P.A.*

*Daniel R. Cudahy, C.P.A.  
Michael N. Jenkins, C.A., C.P.A.*

Members: American Institute of Certified Public Accountants/Colorado Society of Certified Public Accountants  
National and Colorado Government Finance Officers Association/Colorado Municipal League

Our audit was made for the purpose of forming an opinion on the government-wide and fund financial statements taken as a whole. The accompanying financial information in Section's F is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Carbondale, Colorado. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*McMahan and Associates, LLC.*

**McMahan and Associates, L.L.C.**  
**June 4, 2007**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Town of Carbondale, Colorado

## Management's Discussion and Analysis December 31, 2006

As management of the Town of Carbondale, ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2006.

### Financial Highlights

- In 2006, the Town issued the remaining \$450,000 in recreation sales and use tax bonds as well as \$75,000 in supplemental interest coupons.
- In November 2006, the Town's voters approved the issuance of clean renewable energy bonds to help finance two solar energy projects.
- The Town's governmental fund balances increased \$1,340,965 and the Town's business-type activities increased \$676,340.

### Overview of the Financial Statements

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

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

The Statement of Net Assets presents information on all Town assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, streets, and culture and recreation. The business-type activities of the Town include water distribution and system maintenance and wastewater treatment.

The government-wide financial statements can be found on pages C1 and C2 of this report.

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

## **Overview of the Financial Statements (continued)**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Proprietary funds:** The Town maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the Town, which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found in Section C of this report. The Town also presents a budgetary comparison for its proprietary funds.

**Notes to the 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 in Section D of this report.

**Government-wide financial analysis:** As previously mentioned, the government-wide financial statements are designed to provide readers with a broad overview and long-term analysis of the Town's finances, in a manner similar to a private-sector business.



## Overview of the Financial Statements (continued)

### Government-wide financial analysis (continued):

The following graph shows the Town's net assets for 2006:

Town of Carbondale's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	13,102,572	11,675,509	3,972,493	3,618,877	17,075,065	15,294,386
Capital assets	7,551,537	6,963,715	16,232,328	16,389,127	23,783,865	23,352,842
<b>Total assets</b>	<b>20,654,109</b>	<b>18,639,224</b>	<b>20,204,821</b>	<b>20,008,004</b>	<b>40,858,930</b>	<b>38,647,228</b>
Other liabilities	1,085,019	1,035,786	56,841	521,878	1,141,860	1,557,664
Long-term liabilities outstanding	2,565,000	2,120,000	1,442,916	1,457,402	4,007,916	3,577,402
<b>Total liabilities</b>	<b>3,650,019</b>	<b>3,155,786</b>	<b>1,499,757</b>	<b>1,979,280</b>	<b>5,149,776</b>	<b>5,135,066</b>
Net assets:						
Invested in capital assets, net of related debt	4,902,997	7,069,804	14,789,412	14,589,085	19,692,409	21,658,889
Restricted	262,700	446,500	-	-	262,700	446,500
Unrestricted	11,838,393	7,967,134	3,915,652	3,439,639	15,754,045	11,406,773
<b>Total net assets</b>	<b>\$ 17,004,090</b>	<b>15,483,438</b>	<b>18,705,064</b>	<b>18,028,724</b>	<b>35,709,154</b>	<b>33,512,162</b>

The largest portion of the Town's assets is reflected in the investment in capital assets (i.e. land, buildings, improvements, and equipment). Capital assets account for 60% of the total assets. The Town uses these assets to provide services to its citizens. The Town's remaining assets are generally available to pay liabilities or fund operations. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The Town's capital assets increased due to the purchase of vehicles and equipment. Maturing for the Town's remaining debt are as follows; the Town's 1997A bond issues is scheduled to be retired in 2007; the Town's 1998B issue will be retired in 2015, the Town's 2004 issue will be retired in 2024, the Town's 2006 issue will retire in 2024 and the Town's 2006 supplemental interest coupon will retire in 2010. Additional information regarding the Town's long-term debt is available in Section D of the footnotes.

The Town has reserved a portion of its net assets for the following purposes:

	Balance 1/1/06	Additions	Deletions	Balance 12/31/06
Emergency reserve	\$ 207,000	-	(38,500)	168,500
Parking	22,000	4,700	-	26,700
Manager contract	217,500	-	(150,000)	67,500
<b>Total</b>	<b>\$ 446,500</b>	<b>4,700</b>	<b>(188,500)</b>	<b>262,700</b>

## Overview of the Financial Statements (continued)

### Government-wide financial analysis (continued):

The following chart provides financial information from the Town's Statement of Activities:

#### Town of Carbondale's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 887,371	\$ 871,041	2,041,189	1,774,978	2,928,560	2,646,019
Operating grants and contributions	657,844	685,080	-	-	657,844	685,080
Capital grants and contributions	6,100	239,300	689,746	586,627	695,846	825,927
General revenues:						
Property taxes	349,994	340,000	-	-	349,994	340,000
Sales and use taxes	4,174,148	3,602,086	-	-	4,174,148	3,602,086
Other taxes	425,872	370,034	-	-	425,872	370,034
Interest and other revenue	623,967	397,222	144,759	78,743	768,726	475,965
<b>Total Revenues</b>	<b>7,125,296</b>	<b>6,504,763</b>	<b>2,875,694</b>	<b>2,440,348</b>	<b>10,000,990</b>	<b>8,945,111</b>
<b>EXPENSES:</b>						
General government	1,713,119	1,677,783	-	-	1,713,119	1,677,783
Public safety	1,551,071	1,410,001	-	-	1,551,071	1,410,001
Public works	741,773	501,693	-	-	741,773	501,693
Culture and recreation	1,489,815	1,145,728	-	-	1,489,815	1,145,728
Interest	95,324	91,902	-	-	95,324	91,902
Affordable housing	13,542	30,706	-	-	13,542	30,706
Water	-	-	1,166,353	962,071	1,166,353	962,071
Wastewater	-	-	1,033,001	1,092,487	1,033,001	1,092,487
<b>Total Expenses</b>	<b>5,604,644</b>	<b>4,857,813</b>	<b>2,199,354</b>	<b>2,054,558</b>	<b>7,803,998</b>	<b>6,912,371</b>
<b>Change in Net Assets</b>	<b>1,520,652</b>	<b>1,646,950</b>	<b>676,340</b>	<b>385,790</b>	<b>2,196,992</b>	<b>2,032,740</b>
<b>Net Assets - Beginning</b>	<b>15,483,438</b>	<b>13,836,488</b>	<b>18,028,724</b>	<b>17,642,934</b>	<b>33,512,162</b>	<b>31,479,422</b>
<b>Net Assets - Ending</b>	<b>\$ 17,004,090</b>	<b>15,483,438</b>	<b>18,705,064</b>	<b>18,028,724</b>	<b>35,709,154</b>	<b>33,512,162</b>

## Overview of the Financial Statements (continued)

**Governmental activities:** Governmental activities increased the Town's net assets by **Error! Not a valid link.** Key elements of this increase are as follows:

- The Town capitalized \$1,080,037 in fixed asset additions during 2006.

**Business-type activities:** Business-type activities increased the Town's net assets by **Error! Not a valid link.** Key elements of this increase are as follows:

- Assets totaling \$537,840 were capitalized between the Water Fund and Wastewater Fund in 2006.
- The Water Fund and Wastewater Fund had net income of \$192,654 and \$483,686 respectively. On a cash basis, the Funds cumulatively increased their cash and investment holdings by \$349,378.

## Financial Analysis of the Town's Funds

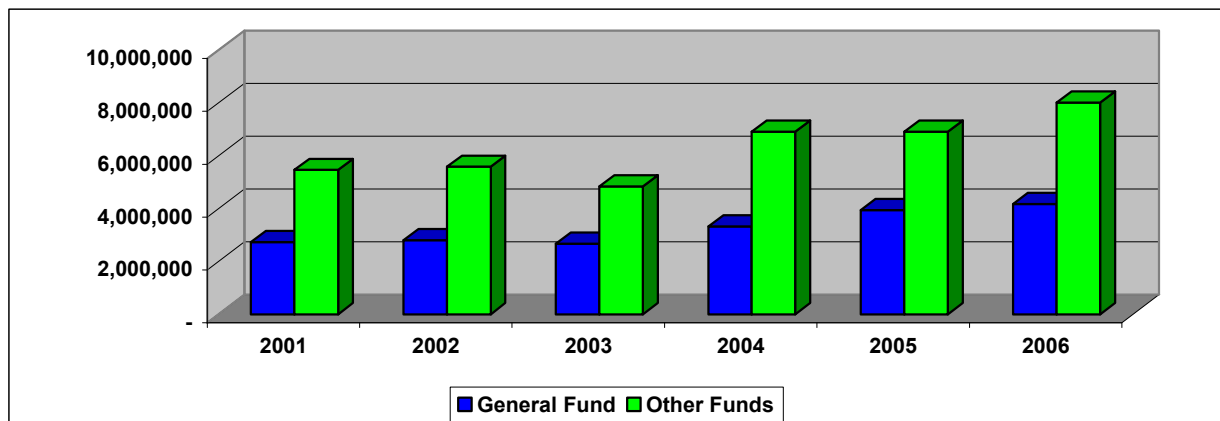
As mentioned on page B2 of this analysis, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,193,476; an increase of \$1,340,965 from the prior year's ending fund balances. The following details ending fund balances for the past several years:

<b>Fund</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General	2,727,971	2,798,913	2,666,612	3,325,965	3,943,569	4,172,128
Sales and Use	345,112	384,256	393,178	423,692	465,802	318,141
Recreation Sales and Use	1,652,132	2,050,769	1,680,850	3,588,173	3,667,583	4,214,290
Bond and Bond Reserve	365,019	368,398	-	188,761	195,332	208,255
Capital Projects	1,166,445	1,030,053	1,032,152	722,762	149,733	738,019
Other Governmental	1,931,680	1,753,697	1,730,462	1,989,393	2,430,492	2,542,643
<b>Total</b>	<b>8,188,359</b>	<b>8,386,086</b>	<b>7,503,254</b>	<b>10,238,746</b>	<b>10,852,511</b>	<b>12,193,476</b>

As indicated on the table above, the General Fund, the Sales and Use Tax, the Recreation Sales and Use Tax, Bond and Bond Reserve Fund balances have increased from 2005. The following graph is based on the table previously presented:



**Financial Analysis of the Town's Funds (continued)**

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

Cash in the Water Fund at the end of the current fiscal year was \$838,423. The Wastewater Fund had cash of \$2,818,464.

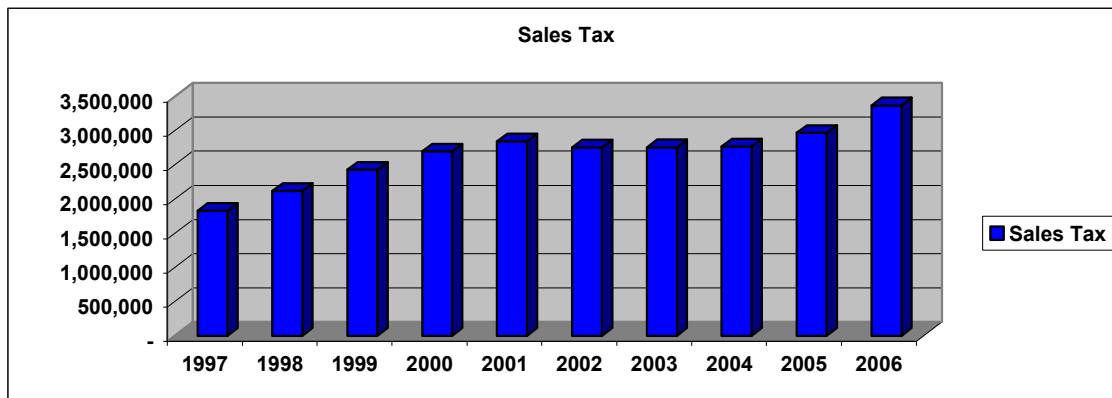
**Budget variances in the General Fund:** The Town's General Fund revenues were over budget by \$498,910; General Fund expenditures were under budget by \$86,865. The General Fund's significant budget variances are detailed as follows:

	<b>Variance Positive (Negative)</b>	<b>Reason</b>
<b>Revenues:</b>		
Licenses and permits	103,480	Building permits increased construction and sales tax licenses for new businesses and previously unidentified business.
Intergovernmental	233,081	Mineral leasing was budgeted at zero. Road and Bridge funds increased as did Garfield County sales tax.
Interest	83,054	Increase in interest rates and reserve balances.
<b>Expenditures:</b>		
Attorney	(50,998)	Unanticipated legal fees.
Administrative services	146,268	Salary adjustments reallocated to actual departments. Salary survey cost less than anticipated.
Police department	(68,121)	\$49,700 grant income. Vehicle purchase was budgeted in prior year.
Contingency	79,993	Balance of budget of expenditures not required.

**Capital assets:** The Town's government-wide capital assets, net of accumulated depreciation, increased due to expenditures for various park upgrades, vehicle purchases and other miscellaneous capital asset purchases. Additional information as well as a detailed classification of the Town's net capital assets can be found in the Notes to the Financial Statements in Section D of this report.

**Long-term debts:** As of the end of the current fiscal year, the Town had \$4,316,294 in long-term debts. Additional information regarding the Town's debt can be found in Section D of this report.

**Sales tax:** The Town has a 3.5% sales tax that is used to fund its governmental operations. One half percent of the tax is dedicated to recreation expenditures. Sales tax increased from 2005 by approximately 13.6%. The following chart indicates changes in the sales tax:



## **Financial Analysis of the Town's Funds (continued)**

**Next year's budget and rates:** The Town's General Fund balance at the end of fiscal year 2006 was \$4,172,128. The Town anticipates using \$378,970 of accumulated fund balance.

**Other information:** In November 2006, the Town's voters approved the issuance of clean renewable energy bonds. These bonds are to be used to finance two solar energy projects. In 2007, the Town started construction on the recreation facility. The facility is set to open in the February of 2008.

### **Request for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Carbondale, Finance Department, 511 Colorado Ave., Carbondale, Colorado 81623.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**Town of Carbondale, Colorado**  
**Statement of Net Assets**  
**December 31, 2006**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	12,173,964	3,656,891	15,830,855
Receivables, net:			
Taxes	596,360	-	596,360
Accounts	-	232,501	232,501
Other	32,869	-	32,869
Intergovernmental	66,469	10,758	77,227
Prepaid expenses	115,327	25,002	140,329
Bond issuance costs, net	114,600	47,341	161,941
Inventories	2,983	-	2,983
Capital assets, net	7,551,537	16,232,328	23,783,865
<b>Total Assets</b>	<b>20,654,109</b>	<b>20,204,821</b>	<b>40,858,930</b>
<b>Liabilities:</b>			
Accounts payable	136,076	4	136,080
Deferred revenue	205,600	152,374	357,974
Other liabilities	328,906	4,668	333,574
Compensated absences	284,669	23,709	308,378
Accrued interest and bond premium	5,854	-	5,854
Due to (from) other funds	123,914	(123,914)	-
Bonded debt payable:			
Due within one year	95,000	275,694	370,694
Due in more than one year	2,470,000	1,167,222	3,637,222
<b>Total Liabilities</b>	<b>3,650,019</b>	<b>1,499,757</b>	<b>5,149,776</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	4,902,997	14,789,412	19,692,409
Restricted for other purposes	262,700	-	262,700
Unrestricted	11,838,393	3,915,652	15,754,045
<b>Total Net Assets</b>	<b>17,004,090</b>	<b>18,705,064</b>	<b>35,709,154</b>

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

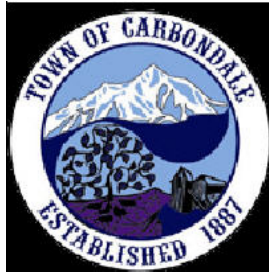
**Town of Carbondale, Colorado**  
**Statement of Activities**  
**For the Year Ended December 31, 2006**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>							
Governmental activities:							
General government	1,713,119	668,178	258,036	6,100	(780,805)		(780,805)
Public safety	1,551,071	41,049	16,496	-	(1,493,526)		(1,493,526)
Public works	741,773	-	303,910	-	(437,863)		(437,863)
Culture and recreation	1,489,815	178,144	65,860	-	(1,245,811)		(1,245,811)
Affordable housing	13,542	-	13,542	-	-		-
Interest on long-term debt	95,324	-	-	-	(95,324)		(95,324)
<b>Total governmental activities</b>	<u>5,604,644</u>	<u>887,371</u>	<u>657,844</u>	<u>6,100</u>	<u>(4,053,329)</u>		<u>(4,053,329)</u>
Business-type activities:							
Water	1,166,353	1,034,249	-	308,528		176,424	176,424
Wastewater	1,033,001	1,006,940	-	381,218		355,157	355,157
<b>Total business-type activities</b>	<u>2,199,354</u>	<u>2,041,189</u>	<u>-</u>	<u>689,746</u>		<u>531,581</u>	<u>531,581</u>
<b>Total</b>	<u>7,803,998</u>	<u>2,928,560</u>	<u>657,844</u>	<u>695,846</u>	<u>(4,053,329)</u>	<u>531,581</u>	<u>(3,521,748)</u>
<b>General revenues:</b>							
Taxes:							
Property tax, levied for general purposes					349,994	-	349,994
Specific ownership tax					33,799	-	33,799
Sales and use tax					4,174,148	-	4,174,148
Franchise tax					215,411	-	215,411
Lodging Tax					79,839	-	79,839
Other miscellaneous taxes					96,823	-	96,823
Investment earnings					498,900	128,529	627,429
Miscellaneous					125,067	16,230	141,297
<b>Total general revenues</b>					<u>5,573,981</u>	<u>144,759</u>	<u>5,718,740</u>
<b>Change in Net Assets</b>					<u>1,520,652</u>	<u>676,340</u>	<u>2,196,992</u>
<b>Net Assets - Beginning</b>					<u>15,483,438</u>	<u>18,028,724</u>	<u>33,512,162</u>
<b>Net Assets - Ending</b>					<u>17,004,090</u>	<u>18,705,064</u>	<u>35,709,154</u>

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



**FUND FINANCIAL STATEMENTS**



**Town of Carbondale, Colorado  
Balance Sheet  
Governmental Funds  
December 31, 2006**

	<u>General</u>	<u>Recreation Sales and Use Tax</u>	<u>Sales and Use Tax</u>	<u>Capital Construction</u>	<u>Bond</u>	<u>Bond Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>								
Cash	4,425,302	4,161,063	17,789	738,019	32,136	176,119	2,623,533	12,173,961
Receivables, net of allowance for uncollectibles	79,165	-	15	-	-	-	-	79,180
Due from other governments	14,331	53,227	319,251	-	-	-	24,110	410,919
Due from other funds	-	-	1,086	-	-	-	240,000	241,086
Property tax receivable	205,600	-	-	-	-	-	155,000	360,600
Prepaid expenses	115,327	-	-	-	-	-	-	115,327
Inventory	2,983	-	-	-	-	-	-	2,983
<b>Total Assets</b>	<u>4,842,708</u>	<u>4,214,290</u>	<u>338,141</u>	<u>738,019</u>	<u>32,136</u>	<u>176,119</u>	<u>3,042,643</u>	<u>13,384,056</u>
<b>Liabilities and Fund Equity:</b>								
<b>Liabilities:</b>								
Accounts/vouchers payable	136,041	-	-	-	-	-	-	136,041
Other liabilities	280,379	-	-	-	-	-	-	280,379
Accrued payroll and related liabilities	48,560	-	-	-	-	-	-	48,560
Due to other funds	-	-	20,000	-	-	-	345,000	365,000
Deferred property taxes not collectible until subsequent year	205,600	-	-	-	-	-	155,000	360,600
<b>Total Liabilities</b>	<u>670,580</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>1,190,580</u>
<b>Fund Balance:</b>								
Reserved	262,700	-	-	-	17,807	177,525	-	458,032
Unreserved, reported in:								
General	3,909,428	-	-	-	-	-	-	3,909,428
Special revenue	-	4,214,290	318,141	-	-	-	2,542,643	7,075,074
Debt service	-	-	-	-	14,329	(1,406)	-	12,923
Capital projects	-	-	-	738,019	-	-	-	738,019
<b>Total Fund Balance</b>	<u>4,172,128</u>	<u>4,214,290</u>	<u>318,141</u>	<u>738,019</u>	<u>32,136</u>	<u>176,119</u>	<u>2,542,643</u>	<u>12,193,476</u>
<b>Total Liabilities and Fund Balance</b>	<u>4,842,708</u>	<u>4,214,290</u>	<u>338,141</u>	<u>738,019</u>	<u>32,136</u>	<u>176,119</u>	<u>3,042,643</u>	

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

**Town of Carbondale, Colorado**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**December 31, 2006**

Governmental Funds Total Fund Balance	\$ 12,193,476
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	7,551,537
Deferred charges such as bond issuance costs are treated as current transactions on the fund financial statements but are capitalized and amortized on the Statement of Net Assets.	114,600
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. This is the amount of Town long-term liabilities.	(2,855,523)
Governmental Activities Net Assets	<u>\$ 17,004,090</u>

The notes to the financial statements are an integral part of this statement.

**Town of Carbondale, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	<u>General</u>	<u>Recreation Sales and Use Tax</u>	<u>Sales and Use Tax</u>	<u>Capital Projects</u>	<u>Bond</u>	<u>Bond Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>								
Taxes	440,772	569,929	3,416,616	-	-	-	336,143	4,763,460
Licenses, permits, and fees	271,680	-	-	-	-	-	-	271,680
Intergovernmental revenue	592,888	1,540	-	-	-	-	77,362	671,790
Charges for services	313,593	-	-	-	-	-	-	313,593
Fines and forfeitures	33,451	-	-	-	-	-	7,598	41,049
Investment income	195,554	166,804	1,267	16,374	3,368	8,100	107,433	498,900
Miscellaneous	366,605	500	-	-	-	-	197,719	564,824
<b>Total Revenues</b>	<u>2,214,543</u>	<u>738,773</u>	<u>3,417,883</u>	<u>16,374</u>	<u>3,368</u>	<u>8,100</u>	<u>726,255</u>	<u>7,125,296</u>
<b>Expenditures:</b>								
General government	2,115,508	-	29	-	150	-	13,542	2,129,229
Public safety	1,554,992	-	-	-	-	-	5,315	1,560,307
Public works	664,826	-	-	128,088	-	-	180,610	973,524
Culture and recreation	860,769	418,537	-	-	-	-	159,137	1,438,443
Debt service:								
Issuance costs	-	22,500	-	-	-	-	-	22,500
Principal	-	-	-	-	80,000	-	-	80,000
Interest	-	-	-	-	91,243	-	-	91,243
<b>Total Expenditures</b>	<u>5,196,095</u>	<u>441,037</u>	<u>29</u>	<u>128,088</u>	<u>171,393</u>	<u>-</u>	<u>358,604</u>	<u>6,295,246</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,981,552)</u>	<u>297,736</u>	<u>3,417,854</u>	<u>(111,714)</u>	<u>(168,025)</u>	<u>8,100</u>	<u>367,651</u>	<u>830,050</u>
<b>Other Financing Sources (Uses):</b>								
Bond proceeds	-	525,000	-	-	-	-	-	525,000
Bond premium	-	(14,085)	-	-	-	-	-	(14,085)
Operating transfers in	3,910,111	-	-	700,000	182,354	-	20,000	4,812,465
Operating transfers (out)	(700,000)	(261,944)	(3,565,515)	-	-	(9,506)	(275,500)	(4,812,465)
<b>Total Other Financing Sources (Uses)</b>	<u>3,210,111</u>	<u>248,971</u>	<u>(3,565,515)</u>	<u>700,000</u>	<u>182,354</u>	<u>(9,506)</u>	<u>(255,500)</u>	<u>510,915</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<u>228,559</u>	<u>546,707</u>	<u>(147,661)</u>	<u>588,286</u>	<u>14,329</u>	<u>(1,406)</u>	<u>112,151</u>	<u>1,340,965</u>
<b>Fund Balance - Beginning</b>	<u>3,943,569</u>	<u>3,667,583</u>	<u>465,802</u>	<u>149,733</u>	<u>17,807</u>	<u>177,525</u>	<u>2,430,492</u>	<u>10,852,511</u>
<b>Fund Balance - Ending</b>	<u>4,172,128</u>	<u>4,214,290</u>	<u>318,141</u>	<u>738,019</u>	<u>32,136</u>	<u>176,119</u>	<u>2,542,643</u>	<u>12,193,476</u>

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

**Town of Carbondale, Colorado**  
**Reconciliation of Revenues, Expenditures and Changes in Fund Balances (Deficit)**  
**of Governmental Funds to the Statement of Activities**  
**December 31, 2006**

Governmental Funds Changes in Fund Balances (Deficit)	\$ 1,340,965
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay in excess of depreciation.	587,822
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(416,108)
Changes in the Town employees' accrued compensated absences are considered changes in long-term liabilities. This is the amount that accrued compensated absences decreased.	7,973
Governmental Activities Change in Net Assets	<u>\$ 1,520,652</u>

The notes to the financial statements are an integral part of this statement.

**Town of Carbondale, Colorado**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and investments	838,423	2,818,464	3,656,887
Accounts receivable	101,943	113,193	215,136
Prepaid expenses	12,969	12,033	25,002
<b>Total current assets</b>	<u>953,335</u>	<u>2,943,690</u>	<u>3,897,025</u>
<b>Non-current assets:</b>			
Note receivable	-	28,123	28,123
Bond issuance costs, net of accumulated amortization	46,657	684	47,341
Land	51,048	133,391	184,439
Plant and system	12,480,745	10,230,667	22,711,412
Building and improvements	139,647	403,962	543,609
Machinery and equipment	320,323	413,542	733,865
Water rights	208,383	-	208,383
Construction in progress	14,502	35,809	50,311
Accumulated depreciation	(2,791,437)	(5,408,254)	(8,199,691)
<b>Total non-current assets</b>	<u>10,469,868</u>	<u>5,837,924</u>	<u>16,307,792</u>
<b>Total Assets</b>	<u>11,423,203</u>	<u>8,781,614</u>	<u>20,204,817</u>
<b>Liabilities:</b>			
Current liabilities:			
Other liabilities	4,668	1,194	5,862
Deferred revenue	151,180	-	151,180
Due to (from) other fund	98,326	(222,240)	(123,914)
Bonds payable	-	275,694	275,694
<b>Total current liabilities</b>	<u>254,174</u>	<u>54,648</u>	<u>308,822</u>
<b>Long-term liabilities:</b>			
Bonds payable - Long-term portion	1,167,222	-	1,167,222
Accrued compensated absences	13,018	10,691	23,709
<b>Total long-term liabilities</b>	<u>1,180,240</u>	<u>10,691</u>	<u>1,190,931</u>
<b>Total Liabilities</b>	<u>1,434,414</u>	<u>65,339</u>	<u>1,499,753</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	9,255,989	5,533,423	14,789,412
Unrestricted	732,800	3,182,852	3,915,652
<b>Total Net Assets</b>	<u>9,988,789</u>	<u>8,716,275</u>	<u>18,705,064</u>

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

**Town of Carbondale, Colorado**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services:			
Service fees	930,917	996,480	1,927,397
Sale of meters	35,205	-	35,205
Other revenues:			
Penalty assessments	4,794	-	4,794
Miscellaneous	17,573	10,460	28,033
<b>Total Operating Revenues</b>	<u>988,489</u>	<u>1,006,940</u>	<u>1,995,429</u>
<b>Operating Expenses:</b>			
Operations and maintenance	135,056	95,456	230,512
Personnel costs	357,315	235,736	593,051
Administration	362,356	232,257	594,613
Depreciation	242,933	451,706	694,639
Miscellaneous	-	-	-
<b>Total Operating Expenses</b>	<u>1,097,660</u>	<u>1,015,155</u>	<u>2,112,815</u>
<b>Operating (Loss)</b>	<u>(109,171)</u>	<u>(8,215)</u>	<u>(117,386)</u>
<b>Non-operating Revenue (Expenses):</b>			
Investment income	61,990	128,529	190,519
Bond interest	(57,876)	(17,846)	(75,722)
Amortization of bond issuance costs	(10,817)	-	(10,817)
<b>Total Non-operating     Revenue (Expenses)</b>	<u>(6,703)</u>	<u>110,683</u>	<u>103,980</u>
<b>(Loss) Before Contributions</b>	(115,874)	102,468	(13,406)
Capital contributions, and tap fees	<u>308,528</u>	<u>381,218</u>	<u>689,746</u>
<b>Change in Net Assets</b>	192,654	483,686	676,340
<b>Total Net Assets - Beginning</b>	<u>9,796,135</u>	<u>8,232,589</u>	<u>18,028,724</u>
<b>Total Net Assets - Ending</b>	<u><u>9,988,789</u></u>	<u><u>8,716,275</u></u>	<u><u>18,705,064</u></u>

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

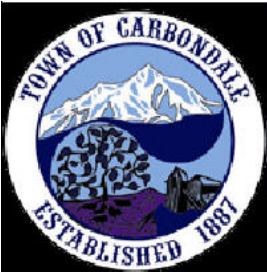
**Town of Carbondale, Colorado**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers and others	950,073	983,195	1,933,268
Cash paid for goods, services and employees	(852,163)	(545,423)	(1,397,586)
Transfers	1,086	(125,000)	(123,914)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>116,569</b>	<b>323,232</b>	<b>439,801</b>
<b>Cash Flows From Capital Financing Activities:</b>			
Interest on bonds	(57,876)	(17,846)	(75,722)
Bond principal payment	(102,640)	(254,486)	(357,126)
Proceeds from tap and meter sales	308,528	381,218	689,746
Acquisition of capital assets	(280,739)	(257,101)	(537,840)
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>(132,727)</b>	<b>(148,215)</b>	<b>(280,942)</b>
<b>Cash Flows From Investing Activities</b>			
Interest received	61,990	128,529	190,519
<b>Net Cash Provided by Investing Activities</b>	<b>61,990</b>	<b>128,529</b>	<b>190,519</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>45,832</b>	<b>303,546</b>	<b>349,378</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>792,591</b>	<b>2,514,918</b>	<b>3,307,509</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>838,423</b>	<b>2,818,464</b>	<b>3,656,887</b>
<b>Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating (loss)	(109,171)	(8,215)	(117,386)
<b>Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:</b>			
Depreciation expense	242,933	451,706	694,639
(Increase) decrease in operating accounts receivable	(20,843)	(29,025)	(49,868)
(Increase) decrease in prepaid expense	1,227	17,846	19,073
(Increase) decrease in notes receivable	-	15,740	15,740
Increase (decrease) in deposits	1,668	-	1,668
Increase (decrease) in compensated absences	(331)	180	(151)
Transfers	1,086	(125,000)	(123,914)
<b>Total Adjustments</b>	<b>225,740</b>	<b>331,447</b>	<b>557,187</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>116,569</b>	<b>323,232</b>	<b>439,801</b>

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



**NOTES TO THE FINANCIAL STATEMENTS**



**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**

**I. Summary of Significant Accounting Policies**

The Town of Carbondale, Colorado (the "Town") is incorporated as a home rule municipality under Colorado statutes to provide public safety, highways and streets, water and sewer service, health and social services, culture-recreation, public health improvements, planning and zoning, and general administrative services. The Town is located in Garfield County, Colorado and operates under a Board of Trustees-Manager form of government.

An elected Mayor and Board of Trustees are responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The Town's major operations include water and sewer operations, road maintenance, police services, and culture and recreation.

The Town's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements after that date to its business-type activities and enterprise funds, the Town has not chosen to do so. The more significant accounting policies established by GAAP used by the Town are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either 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 Town. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Town. Organizations for which the nature and significance of their relationship with the Town 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 upon the above criteria, the Town is not financially accountable for any other organization, nor is the Town a component unit of any other primary governmental entity.

**B. Government-wide and Fund Financial Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety, road maintenance, culture and recreation, and administration are classified as governmental activities. The Town's utilities, water and sewer service, are classified as a business activities.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**1. Government-wide Financial Statements**

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (public safety, highways and streets, utilities, etc.). The functions are also supported by general government revenues (property and sales taxes, intergovernmental revenue, fines and permits, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, roads, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property and sales taxes, interest income, etc.).

The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

**2. Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The Town reports the following major governmental funds:

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

The *Recreation Sales and Use Tax Fund* - accounts for a ½ cent sales and use tax which is restricted for recreation purposes and for repayment of bonded debt. The Recreation Sales and Use Tax Fund is considered a special revenue fund.

The *Sales and Use Tax Fund* - accounts for the 3% sales and use tax revenues. The Sales and Use Tax Fund is presented as a special revenue fund because the revenues are derived from specific sales and use taxes and the expenditures involve not only various capital projects, but specific functions, activities, and debt service of the Town.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements (continued)**

The *Capital Construction Fund* - accounts for capital construction costs incurred by the Town.

The *Bond Fund* - accounts for financial resources to be used for the payment of principal and interest on the 2004 Recreation Sales and Use Tax Revenue Bonds.

The *Bond Reserve Fund* - accounts for resources which are legally restricted for the payment of the 2004 Recreation Sales and Use Tax Revenue Bonds.

The Town reports the following non-major governmental funds:

The *Conservation Trust Fund* - accounts for funds received and restricted for use in the acquisition, development and maintenance of new conservation and recreation sites pursuant to Colorado Revised Statutes.

The *Victims Assistance Fund* - accounts for funds assessed upon police tickets and fines. The funds are required to be used for assistance to victims.

The *Highway 133 Fund* – accounts for funds earmarked for beautification and enhancements along Highway 133.

*CHA Affordable Housing Mortgage Reserve Fund* - is a mortgage reserve fund used to purchase any affordable housing units from owners that default on their mortgage. The units purchased are required to be deed-restricted units originally sold by the Carbondale Housing Authority (“CHA”). The funds available are from a 1/4% sales charge on any CHA units sold.

The *Streetscape Fund* – accounts for a 1.5 mill ad valorem tax restricted to improvements to the downtown area of Carbondale.

The *Community Enhancement Fund* – accounts for funds restricted for beautification projects, energy conservation, underground utility lines, and sponsored community events.

The *Development Dedication Fee Fund* - accounts for funds received from developers.

The *Lodging Tax Fund* accounts for 2% tax on gross rents for lodging.

The Town reports the following proprietary or business-type funds:

The *Water Fund* accounts for the purchase and delivery of water to the citizens of the Town. The water fund also maintains the infrastructure needed to provide water service.

The *Wastewater Fund* accounts for activities related to the sewage treatment facilities and sewage transmission lines.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**3. Financial Statement Presentation**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**2. Investments**

Investments are stated at fair value.

**3. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**4. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

**5. Capital Assets**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (only infrastructure acquired after January 1, 2002), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The Town defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

Infrastructure, buildings, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 - 30
Buildings and improvements	15 - 40
Distribution systems	40 - 60
Equipment and vehicles	5 - 8

**6. Compensated Absences**

Earned but unused vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets**

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The \$7,551,537 represents the book value of capital assets at December 31, 2006.

Another element of that reconciliation states that “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The detail of this \$2,855,523 difference represents \$284,669 in accrued compensated absences, \$2,565,000 in bond debt, \$9,228 in interest payable, \$6,668 of unamortized bond premium and less \$10,042 in unamortized bond discount.

Another element of the reconciliation states that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The \$114,600 represents the unamortized bond issuance costs.

**B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes a reconciliation between *net change in fund balances of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense”. The details of this \$587,822 difference are capital outlay of \$1,080,037 less depreciation expense of \$492,215.

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This amount is the net effect of these differences in treatment of long-term debt and related items.” The details of this \$416,108 difference is bond proceeds of \$525,000, less debt issuance costs of \$22,500, less \$14,085 in bond discount, less a debt payment of \$80,000, accrued interest of \$1,624, \$2,457 of amortized bond premium and discount, and \$3,612 in bond issuance costs.

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year end.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

As required by Colorado Statutes, the Town followed the required timetable noted below in preparing, approving, and enacting its budget for 2006.

- (1) For the 2006 budget year, prior to August 25, 2005, the County Assessor sent to the Town an assessed valuation of all taxable property within the Town's boundaries.
- (2) The Town Manager, or other qualified person appointed by the Board of Trustees, submitted to the Board of Trustees, on or before October 15, 2005, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the Town's operating requirements.
- (3) Prior to December 15, 2005, a public hearing was held for the budget, the Board of Trustees certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board of Trustees adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
- (4) After adoption of the budget resolution, the Town may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2005 were collected in 2006 and taxes certified in 2006 will be collected in 2007. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

During the year, a supplemental appropriation ordinance was necessary. The budgetary comparison statements reflect the original budget and the final budget after legally authorized revisions were made. The following funds had supplementary budget appropriations:

<u>Fund</u>	<u>Original Appropriation</u>	<u>Supplemental Appropriation</u>
Lodging Tax Fund	60,060	80,000
Sales and Use Tax Fund	3,015,000	3,781,000
Bond Reserve Fund	2,400	9,700

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly know as the Taxpayer's 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



**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires 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 Town has reserved \$168,500 for TABOR purposes.

In 2002 the Town's electorate voted to allow the Town to collect, retain, and expend revenues notwithstanding any of TABOR's restrictions.

The Town's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**IV. Detailed Notes on all Funds**

**A. Deposits**

Pursuant to its charter, the Town has adopted, by ordinance, an investment policy governing the types of institutions and investments with which it may deposit funds and transact business. Under this policy, the Town may invest in federally insured banks, debt obligations of the U.S. Government, its agencies and instrumentalities, governmental mutual fund and pools including 2a7-like pools, and repurchase agreements subject to policy requirements.

The Town's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). This FDIC insures the first \$100,000 of the Town's deposits at each financial institution. Deposit balances over \$100,000 are collateralized as required by PDPA. The carrying amount of the Town's demand deposit was \$8,316,842. Petty cash totaled \$427. At year end, the Town had the following investments and maturities:

	<b>Standard &amp; Poors Rating</b>	<b>Carrying amounts</b>	<b>Maturities</b>	
			<b>Less than one year</b>	<b>Less than five years</b>
<b>Deposits:</b>				
Petty cash	Not Rated	427	427	
Demand deposits	Not Rated	8,316,842	8,316,842	
Certificates of Deposit	Not Rated	3,261,422		3,261,422
<b>Investments:</b>				
Investment pools	AAAm	4,252,164	4,252,164	
		<u>\$ 15,830,855</u>		

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**A. Deposits (continued)**

The Town's holdings in investment pools are comprised of balances with COLOTRUST and CSAFE, which are investment vehicles established for local government entities in Colorado to pool surplus funds. They operate similarly to money market funds, whereby each share is equal in value to \$1. Investments of the trusts consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. The Town has no regulatory oversight for the pools.

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the Town diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Town coordinates its investments maturities to closely match cash flow needs and restricts the maximum investments term to less than five years from the purchase date. As a result of the limited length on maturities, the Town has limited its interest rate risk.

**Credit Risk:** State law and Town policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The Town's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would expect to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**B. Receivables**

Receivables as of year-end for the Town's funds, including applicable allowances for uncollectible accounts, are as follows:

	General	Recreation Sales and Use Tax	Sales and Use Tax	Highway 133	Streetscape	Lodging Tax	Water	Wastewater	Total
Receivables:									
Taxes	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	91,143	113,193	204,336
Other	79,165	-	15	17,263	-	5,827	-	-	102,270
Intergovernmental	14,331	53,227	319,251	-	1,020	-	10,800	-	398,629
Gross receivables	93,496	53,227	319,266	17,263	1,020	5,827	101,943	113,193	705,235
Less: allowance for uncollectible	-	-	-	-	-	-	-	-	-
<b>Net receivables</b>	<u>\$ 93,496</u>	<u>53,227</u>	<u>319,266</u>	<u>17,263</u>	<u>1,020</u>	<u>5,827</u>	<u>101,943</u>	<u>113,193</u>	<u>705,235</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This includes \$360,600 of deferred revenue for property taxes levied in 2006 but not available until 2007.

**C. Note Receivable - Wastewater**

The Town entered into a note with the Colorado Rocky Mountain School, Inc. (the "School") for payment of tap fees on property owned by the School. The note's principal is \$116,760 and requires monthly principal and interest payments of \$1,194 through July 1, 2008. The balance outstanding as of December 31, 2006 is \$23,019.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 1,664,373	400,000	-	2,064,373
Construction in progress	31,550	335,043	-	366,593
Total capital assets, not being depreciated	<u>1,695,923</u>	<u>735,043</u>	<u>-</u>	<u>2,430,966</u>
Capital assets, being depreciated:				
Infrastructure	2,175,930	152,258	-	2,328,188
Buildings	2,384,797	58,131	-	2,442,928
Improvements other than buildings	1,887,911	-	-	1,887,911
Vehicles	38,921	88,529	-	127,450
Equipment	1,793,525	46,076	-	1,839,601
Total capital assets being depreciated	<u>8,281,084</u>	<u>344,994</u>	<u>-</u>	<u>8,626,078</u>
Less accumulated depreciation for:				
Infrastructure	(177,063)	(72,747)	-	(249,810)
Buildings	(697,934)	(79,625)	-	(777,559)
Improvements other than buildings	(802,365)	(133,580)	-	(935,945)
Vehicles	(38,921)	(4,989)	-	(43,910)
Equipment	(1,297,009)	(201,274)	-	(1,498,283)
Total accumulated depreciation	<u>(3,013,292)</u>	<u>(492,215)</u>	<u>-</u>	<u>(3,505,507)</u>
Total capital assets, being depreciated, net	<u>5,267,792</u>	<u>(147,221)</u>	<u>-</u>	<u>5,120,571</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 6,963,715</u>	<u>587,822</u>	<u>-</u>	<u>7,551,537</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 184,439	-	-	184,439
Water rights	195,104	13,278	-	208,382
Construction in progress	-	35,668	-	35,668
Total capital assets, not being depreciated	<u>379,543</u>	<u>48,946</u>	<u>-</u>	<u>428,489</u>
Capital assets, being depreciated:				
Water/wastewater system and improvements	22,277,779	360,021	-	22,637,800
Buildings and improvements	525,493	31,071	-	556,564
Equipment	711,362	97,802	-	809,164
Total capital assets being depreciated	<u>23,514,634</u>	<u>488,894</u>	<u>-</u>	<u>24,003,528</u>
Less accumulated depreciation for:				
Water/wastewater system and improvements	(6,827,268)	(627,233)	-	(7,454,501)
Buildings and improvements	(168,269)	(13,129)	-	(181,398)
Equipment	(509,513)	(54,277)	-	(563,790)
Total accumulated depreciation	<u>(7,505,050)</u>	<u>(694,639)</u>	<u>-</u>	<u>(8,199,689)</u>
Total capital assets, being depreciated, net	<u>16,009,584</u>	<u>(205,745)</u>	<u>-</u>	<u>15,803,839</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 16,389,127</u>	<u>(156,799)</u>	<u>-</u>	<u>16,232,328</u>

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**D. Capital Assets (continued)**

The Town had the following capital outlay and depreciation expense for the following functions:

	<b>Capital Outlay</b>	<b>Depreciation Expense</b>
Governmental activities:		
General government	\$ 458,131	166,086
Public safety	88,529	28,339
Public works, including infrastructure	213,030	141,644
Culture and recreation	320,347	156,146
<b>Total - governmental activities</b>	<b>\$ 1,080,037</b>	<b>492,215</b>
Business-type activities:		
Water	\$ 280,830	242,933
Wastewater	257,010	451,706
<b>Total - business-type activities</b>	<b>\$ 537,840</b>	<b>694,639</b>

Any difference between capital outlay and additions to the business-type activity funds generally consists of contributed assets. Contributions of assets largely consist of assets provided by developers upon annexation.

**E. Interfund Receivables, Payables, and Transfers**

The Town had the following interfund receivables or payables as of December 31, 2006:

<b>Due from (to):</b>	<b>Due from</b>	<b>Due to</b>
Highway 133 Fund	\$ 20,000	-
Development Dedication Fund	220,000	-
Streetscape Capital Fund	-	345,000
Sales and Use Tax Fund	1,086	20,000
Water Fund	-	98,326
Wastewater Fund	222,240	-
<b>Total</b>	<b>\$ 463,326</b>	<b>463,326</b>

The interfund loans between the Wastewater Fund and the Streetscape Fund and the Development Dedication Fund and the Streetscape Fund will be paid off in greater than one year.

Transfers were as follows:

<b>Fund In (Out)</b>	<b>Amount</b>	<b>Reason</b>
General / (Sales and Use Tax)	3,545,515	Operating transfer
General / (Recreation Sales and Use Tax)	89,096	To fund pool operations
General / (Development Dedication)	275,500	\$200,000 to fund general growth related impacts and \$75,500 for park enhancements
Capital Construction / (General)	700,000	To fund capital projects
Highway 133 / (Sales and Use Tax)	20,000	Sales tax from La Fontana Plaza
Bond Fund / (Bond Reserve)	9,506	Interest earnings to fund debt service
Bond Fund / (Recreation Sales and Use Tax)	172,848	Debt service for 2004 and 2006 Sales and Use Tax bonds.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**F. Operating Leases**

The Town is committed under various leases for office equipment. These leases are considered, for accounting purposes, to be operating leases, and therefore, the liability and the related assets have not been recorded in these financial statements.

**G. Long-term Debt**

**1. CWRPDA 1994 and 1998 Series B Bonds**

In 1998, the Colorado Water Resources and Power Development Authority ("CWRPDA") issued \$1,436,968 of 1998 Series B bonds. The CWRPDA placed the proceeds of the issuance in escrow to provide funds to pay principal and interest on the refunded bonds (Series 1994B). All refunded bonds, maturing after October 1, 2004, are considered to be defeased. The difference between the cash flow required to service the old debt and that required to service the new debt is \$102,365. The Town realized a present value gain on the refunding of \$70,590.

The 1994 Series B bonds were originally issued by CWRPDA on behalf of several Colorado local governments, including the Town of Carbondale. \$1,900,000 of the 1994 Series B proceeds was then loaned to the Town for construction of a new water treatment plant. Series 1994 Bonds maturing through October 1, 2004, have not been refunded and are still outstanding. The bonds are payable solely from the net revenue derived by the Town from the operation of the water system.

The interest rate on the 1998 Series B bonds is between 3.35% and 4.75%. The bonds require interest payments on May 1 and November 1. Annual principle payments are made on November 1. The bonds mature on November 1, 2015. The net revenue derived by the Town from the operation of the water system is restricted solely for the payment of the principal and interest of the bonds.

**2. CWRPDA 1997 Series A Bonds**

In 1997, the CWRPDA issued bonds on behalf of several Colorado local governments, including the Town of Carbondale. The CWRPDA then loaned the Town \$2,327,490 of the bond proceeds for construction of a new wastewater treatment plant. Interest averaging 4.2% is payable each February 1 and August 1. The bonds require annual principle payments on August 1. The bonds require annual debt service payments through 2007. The net revenue derived by the Town from the operation of the water system is restricted solely for the payment of the principal and interest of the bonds.

**3. Recreation Sales and Use Tax Series 2004 Bonds**

On July 1, 2004, the Town issued Series 2004 Recreation Sales and Use Tax Bonds in the amount of \$2,200,000. The bond proceeds are to be used to finance the developing, constructing, and equipping of a new park and recreation facility, improvements to existing park facilities and to pay the costs of issuance of the bonds. The bonds after December 1, 2015, are subject to redemption prior to maturity, at the option of the Town. Interest is payable semi-annually on June 1 and December 1 at 2% to 5%. Principal payments are made December 1. The bonds require debt service payments through 2024.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**G. Long-term Debt (continued)**

**4. Recreation Sales and Use Tax Series 2006 Bonds**

On November 2, 2006, the Town issued Series 2006 Recreation Sales and Use Tax Bonds in the amount of \$450,000. The bond proceeds are to be used to finance the developing, constructing, and equipping of a new park and recreation facility, improvements to existing park facilities and to pay the costs of issuance of the bonds. The bonds after December 1, 2017, are subject to redemption prior to maturity, at the option of the Town. Interest is payable semi-annually on June 1 and December 1 at 4.5% to 5.0%. Principal payments are made December 1. The bonds require debt service payments through 2024.

**5. Recreation Sales and Use Tax Series 2006 Supplemental Interest**

In conjunction with the Series 2006 Recreation Sales and Use Tax Bonds, the Town issued "B" Interest Coupons in the amount of \$75,000. The coupon proceeds are to be used to finance the developing, constructing, and equipping of a new park and recreation facility, improvements to existing park facilities and to pay the costs of issuance of the bonds. The coupons are paid annually on December 1 with a yield of 5.25%. The coupons require debt service payments through 2010.

**6. Advance Refunding**

The Town has advance refunded the 1988 Sales Tax Revenue Bonds and 1994 Series B CWRPDA Water Bonds. Sufficient U.S. government, state and local government securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Town's financial records. The information relating to these two debt issuances is not available at year end.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**G. Long-term Debt (continued)**

**7. Schedule of Future Payment**

The Town's annual debt service is as follows:

Year	CWRPDA Series 1997A	CWRPDA Series 1998B	Recreation Sales and Use Bonds Series 2004	Recreation Sales and Use Bonds Series 2006	Recreation Sales and Use Bonds Supplemental Interest 2006	Total
2007	294,346	160,359	169,443	22,529	15,000	661,677
2008	-	160,283	172,323	21,288	20,000	373,894
2009	-	161,644	169,773	21,288	20,000	372,705
2010	-	160,881	172,010	21,288	20,000	374,179
2011	-	162,196	168,860	46,288	-	377,344
2012-2016	-	649,762	848,725	224,338	-	1,722,825
2017-2021	-	-	852,015	220,475	-	1,072,490
2022-2024	-	-	506,750	137,750	-	644,500
Total	294,346	1,455,125	3,059,899	715,244	75,000	5,599,614
Less: interest	(18,652)	(287,903)	(1,019,899)	(265,244)	-	(1,591,698)
Bonds outstanding	<u>\$ 275,694</u>	<u>1,167,222</u>	<u>2,040,000</u>	<u>450,000</u>	<u>75,000</u>	<u>4,007,916</u>

**8. Compensated Absences**

The Town has a policy for the accumulation of sick pay, vacation pay and compensatory time up to certain limits. Earned vacation pay accrues on a graduated scale from the date of employment and must be used within 12 months of the date of accrual. Upon retirement, an employee's accrued sick leave may be converted to monetary payment based upon the following scale:

<u>Length of Employment</u>	<u>Percentage Payment</u>
0 - 9 years	25%
10 - 14 years	33%
Over 15 years	50%

The estimated liability for accrued leave for the Water and Wastewater Fund employees is recorded on that fund's financial statements; the estimated liability for all other employees is recorded in governmental activities in the Statement of Net Assets.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**G. Long-term Debt (continued)**

**9. Changes in the Long-term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 12/31/06</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>					
Series 2004 Bonds	\$ 2,120,000	-	(80,000)	2,040,000	80,000
Series 2006 Bonds	-	450,000	-	450,000	-
Series 2006 Supplemental Interest	-	75,000	-	75,000	15,000
Compensated absences	292,642	-	(7,973)	284,669	8,540
<b>Business-Type Activities:</b>					
CWRPDA 1997A Bonds	530,180	-	(254,486)	275,694	275,694
CWRPDA 1998B Bonds	1,269,862	-	(102,640)	1,167,222	106,945
Compensated absences	23,860	-	(151)	23,709	711
<b>Total</b>	<u>\$ 4,236,544</u>	<u>525,000</u>	<u>(445,250)</u>	<u>4,316,294</u>	<u>486,890</u>

**10. Restricted Fund Balance**

The Town had the following restrictions on the General Fund's fund balance at December 31, 2006:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/06</u>
Emergency reserve	\$ 207,000	-	(38,500)	168,500
Parking	22,000	4,700	-	26,700
Manager contract	217,500	-	(150,000)	67,500
<b>Total</b>	<u>\$ 446,500</u>	<u>4,700</u>	<u>(188,500)</u>	<u>262,700</u>

**11. Bond Discount, Premium and Issuance Costs**

Bond discounts, premiums and issuance costs for the governmental fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Unamortized bond issuance costs at December 31, 2006, were \$114,600.



**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**V. Other Information**

**A. Benefits**

The Town has established two contributory benefit plans as follows.

**1. Contributory Pension Plan - IRS Section 401(a)**

The Town established a defined contribution pension plan for all full-time employees. The plan is administered and invested by ICMA, Inc.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All Town employees are eligible to participate in this plan. Eligibility is at the date of employment. The Town contributes 3% of the employees' compensation to this plan. The Town's contributions vest 40% after two years.

The Town's vesting percentage increases 20% each year thereafter, and become fully vested after five years. The assets are valued at market.

The Town's current year covered payroll was \$2,652,933 and current year total payroll was \$2,930,488. During the year, the Town's required and actual contributions amounted to \$79,588, which was 3% of its current year covered payroll.

**2. Deferred Compensation Plan - IRC 457**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Town matches employee contributions up to 2% of the employees' wages. The Town does not administer the plan; therefore, it is not presented in the Town's financial statements.

**3. Police Pension 401(a) Plan**

The Town's police department is covered by a defined contribution plan allowed under I.R.C. 401(a). The plan is administered and invested by ICMA, Inc. and therefore, is not presented in the Town's financial statements.

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**V. Other Information (continued)**

**A. Benefits (continued)**

**3. Police Pension 401(a) Plan (continued)**

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Eligibility is at the date of employment. Employee contributions are 100% vested when paid. Employees contribute 8% and the Town contributes 8% of the employee's annual salary.

The Town's current year covered payroll was \$801,125 and current year total payroll was \$871,244. During the year, the Town's required and actual contributions amounted to \$64,090.

**B. Commitments and Contingencies - Landfill**

The Town stopped accepting waste at its landfill in 1993 and substantially completed closure in 1995. Due to the Town's landfill being closed, it is not subject to certain state and federal requirements. However, state and federal laws and regulations did require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. No future costs associated with the Landfill are anticipated.

**C. Risk Management**

The Town is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The Town has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The Town is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. The Town is a member of the insurance pool described below to cover these risks.

Pursuant to an inter-local agreement authorized by state statute, the Town joined the Colorado Intergovernmental Risk Sharing Agency ("CIRSA") to provide insurance coverage. Members of the Council of directors are nominated and elected by members to two-year, staggered terms and meet at least monthly to direct operations. CIRSA budgets are funded by contributions from member governments.

The Town's share of assets, liabilities and fund equity as of December 31, 2006, the latest date for which information is available, is as follows:

<b>Property and Casualty Pool:</b>	<b>%</b>
Loss fund	0.968%
Pooled excess fund	0.756%

**Town of Carbondale, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2006**  
**(Continued)**

**V. Other Information (continued)**

**C. Risk Management (continued)**

The December 31, 2006, combined financial information is as follows:

Cash and investments	\$ 51,040,040
Other assets	8,231,344
<b>Total</b>	<u><u>\$ 59,271,384</u></u>
Liabilities	\$ 32,037,387
Members fund balance	27,233,997
<b>Total</b>	<u><u>\$ 59,271,384</u></u>
Total revenue	\$ 24,849,720
Total expense	(15,980,055)
<b>Excess of Revenue Over Expense</b>	<u><u>\$ 8,869,665</u></u>

Coverage provided by CIRSA is as follows: 1) \$250,000 per claim/occurrence property; 2) \$1,000,000 per claim/occurrence liability; and 3) \$150,000 per claim/occurrence crime. CIRSA has also acquired additional excess coverage from outside sources. The Town may be liable for any losses in excess of the above coverage. At December 31, 2006, the Town does not expect to incur losses in excess of the above coverage.

Surpluses or deficits for any year are subject to change for reasons which include: interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds.

**D. Clean Renewable Energy Bonds**

On November 7, 2006, the Town voters approved the issuance of \$1,800,000 of Clean Renewable Energy Bonds to be used to finance two solar energy projects. At December 31, 2006, the bonds had not been issued for sale.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Town of Carbondale, Colorado**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<b>2006</b>		<b>Variance Positive (Negative)</b>	<b>2005</b>
	<b>Original and Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Taxes	413,603	440,772	27,169	415,405
Licenses and permits	168,200	271,680	103,480	251,802
Intergovernmental	359,807	592,888	233,081	468,111
Charges for services	249,316	313,593	64,277	271,060
Fines and forfeitures	50,000	33,451	(16,549)	44,187
Interest	112,500	195,554	83,054	109,297
Administrative charges	279,492	279,492	-	274,012
Developer reimbursable	25,000	(2,235)	(27,235)	24,873
Other	57,715	89,348	31,633	79,767
<b>Total Revenues</b>	<b>1,715,633</b>	<b>2,214,543</b>	<b>498,910</b>	<b>1,938,514</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Attorney	60,500	111,498	(50,998)	162,521
Municipal elections	11,200	2,934	8,266	-
Trustees	92,443	81,518	10,925	71,623
Municipal Court	36,466	28,025	8,441	28,908
Town Manager	203,845	230,951	(27,106)	264,283
Administrative services	487,789	341,521	146,268	263,981
Finance and records	335,754	305,921	29,833	286,076
Planning	324,824	314,732	10,092	341,133
Data processing	48,700	46,586	2,114	76,939
Building operations	91,131	86,088	5,043	75,939
Motor pool	162,664	190,105	(27,441)	174,959
Economic development	72,450	91,672	(19,222)	74,682
Sales tax administration	-	18,318	(18,318)	273
Affordable housing	78,000	91,131	(13,131)	33,000
<b>Total General Government</b>	<b>2,005,766</b>	<b>1,941,000</b>	<b>64,766</b>	<b>1,854,317</b>
<b>Public Safety:</b>				
Police department	1,283,974	1,352,095	(68,121)	1,204,528
Communications	34,950	37,036	(2,086)	29,294
Building inspection	131,179	102,949	28,230	94,751
Ordinance control	61,219	62,912	(1,693)	55,697
<b>Total Public Safety</b>	<b>1,511,322</b>	<b>1,554,992</b>	<b>(43,670)</b>	<b>1,384,270</b>
<b>Public Works:</b>				
Streets, alleys, snow removal	465,673	487,889	(22,216)	419,758
Public works administration	174,395	176,937	(2,542)	121,145
<b>Total Public Works</b>	<b>640,068</b>	<b>664,826</b>	<b>(24,758)</b>	<b>540,903</b>

(continued)

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

**Town of Carbondale, Colorado**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**  
**(Continued)**

	<u>2006</u>		<u>2005</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
			<u>Actual</u>
<b>Expenditures (continued):</b>			
<b>Culture and Recreation:</b>			
Recreation	255,837	294,159	(38,322)
Municipal pool	126,018	89,101	36,917
Parks and cemetery	431,963	437,609	(5,646)
Community affairs	45,000	39,900	5,100
<b>Total Culture and Recreation</b>	<u>858,818</u>	<u>860,769</u>	<u>(1,951)</u>
<b>Other:</b>			
Landfill reclamation	-	-	-
Environmental health and recycling	61,986	49,501	12,485
Contingency	205,000	125,007	79,993
<b>Total Other</b>	<u>266,986</u>	<u>174,508</u>	<u>92,478</u>
<b>Total Expenditures</b>	<u>5,282,960</u>	<u>5,196,095</u>	<u>86,865</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	(3,567,327)	(2,981,552)	585,775
<b>Other Financing Sources:</b>			
Sale of fixed assets	100,000	-	(100,000)
Transfers (out)	(700,000)	(700,000)	-
Transfers in	3,378,500	3,910,111	531,611
<b>Total Other Financing Sources</b>	<u>2,778,500</u>	<u>3,210,111</u>	<u>431,611</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures</b>	(788,827)	228,559	1,017,386
<b>Fund Balance - Beginning</b>	<u>3,639,893</u>	<u>3,943,569</u>	<u>303,676</u>
<b>Fund Balance - Ending</b>	<u><u>2,851,066</u></u>	<u><u>4,172,128</u></u>	<u><u>1,321,062</u></u>

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

**Town of Carbondale, Colorado**  
**Recreation Sales and Use Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>2006</u>		<u>2005</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Sales tax revenue	476,863	527,801	50,938	475,296
Use tax - Building permits	32,200	42,128	9,928	25,680
Investment earnings	102,773	166,804	64,031	103,420
Intergovernmental	553,460	1,540	(551,920)	159,100
Other income	-	500	500	791
<b>Total Revenues</b>	<u>1,165,296</u>	<u>738,773</u>	<u>(426,523)</u>	<u>764,287</u>
<b>Expenditures:</b>				
Design	-	-	-	-
Park improvements	225,000	49,280	175,720	27,590
Trail improvements	301,600	10,000	291,600	172,859
Riding area and building	10,000	9,149	851	40,629
Skate park	200	-	200	3,500
Salaries and benefits	79,088	52,654	26,434	50,248
Park and recreation facilities	3,012,825	297,454	2,715,371	94,172
Bond issuance costs	-	22,500	22,500	-
<b>Total Expenditures</b>	<u>3,628,713</u>	<u>441,037</u>	<u>3,232,676</u>	<u>388,998</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,463,417)	297,736	2,806,153	375,289
<b>Other Financing Sources (Uses):</b>				
Operating transfers (out)	(41,600)	(261,944)	(220,344)	(295,879)
Bond premium	-	(14,085)	(14,085)	-
Bond proceeds	-	525,000	525,000	-
<b>Total Other Financing (Uses)</b>	<u>(41,600)</u>	<u>248,971</u>	<u>290,571</u>	<u>(295,879)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)</b>	(2,505,017)	546,707	3,096,724	79,410
<b>Fund Balance - Beginning</b>	<u>3,425,762</u>	<u>3,667,583</u>	<u>241,821</u>	<u>3,588,173</u>
<b>Fund Balance - Ending</b>	<u>920,745</u>	<u>4,214,290</u>	<u>3,338,545</u>	<u>3,667,583</u>

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

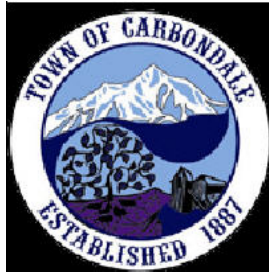
**Town of Carbondale, Colorado**  
**Sales and Use Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>2006</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2005</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>					
Sales tax	2,526,680	3,292,680	2,841,050	(451,630)	2,489,538
Use tax - motor vehicle	306,000	306,000	322,801	16,801	316,870
Use tax - building permits	192,800	192,800	252,765	59,965	154,077
Investment earnings	240	240	1,267	1,027	625
<b>Total Revenues</b>	<u>3,025,720</u>	<u>3,791,720</u>	<u>3,417,883</u>	<u>(373,837)</u>	<u>2,961,110</u>
<b>Expenditures:</b>					
Miscellaneous	-	-	29	(29)	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>29</u>	<u>(29)</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	3,025,720	3,791,720	3,417,854	(373,866)	2,961,110
<b>Other Financing (Uses):</b>					
Operating transfers (out)	(3,015,000)	(3,781,000)	(3,565,515)	215,485	(2,919,000)
<b>Total Other Financing (Uses)</b>	<u>(3,015,000)</u>	<u>(3,781,000)</u>	<u>(3,565,515)</u>	<u>-</u>	<u>(2,919,000)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Financing (Uses)</b>	10,720	10,720	(147,661)	(158,381)	42,110
<b>Fund Balance - Beginning</b>	<u>570,592</u>	<u>570,592</u>	<u>465,802</u>	<u>(104,790)</u>	<u>423,692</u>
<b>Fund Balance (Deficit) - Ending</b>	<u>581,312</u>	<u>581,312</u>	<u>318,141</u>	<u>(263,171)</u>	<u>465,802</u>

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



**SUPPLEMENTARY INFORMATION**



Town of Carbondale, Colorado  
**Bond Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	2006		Final Budget Variance Positive (Negative)	2005
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Investment earnings	3,900	3,368	(532)	2,051
<b>Total Revenues</b>	<u>3,900</u>	<u>3,368</u>	<u>(532)</u>	<u>2,051</u>
<b>Expenditures:</b>				
Bond principal	80,000	80,000	-	80,000
Bond interest	91,242	91,243	(1)	92,843
Agents fee	350	150	200	150
<b>Total Expenditures</b>	<u>171,592</u>	<u>171,393</u>	<u>199</u>	<u>172,993</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	(167,692)	(168,025)	(333)	(170,942)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	166,600	182,354	15,754	172,848
<b>Total Other Financing Sources (Uses)</b>	<u>166,600</u>	<u>182,354</u>	<u>15,754</u>	<u>172,848</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	(1,092)	14,329	15,421	1,906
<b>Fund Balance - Beginning</b>	<u>21,801</u>	<u>17,807</u>	<u>(3,994)</u>	<u>15,901</u>
<b>Fund Balance - Ending</b>	<u><u>20,709</u></u>	<u><u>32,136</u></u>	<u><u>11,427</u></u>	<u><u>17,807</u></u>

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

**Town of Carbondale, Colorado**  
**Bond Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	2006			Final Budget Variance Positive (Negative)	2005
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Investment earnings	2,400	2,400	8,100	5,700	4,665
<b>Total Revenues</b>	<u>2,400</u>	<u>2,400</u>	<u>8,100</u>	<u>5,700</u>	<u>4,665</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	2,400	2,400	8,100	5,700	4,665
<b>Other Financing Sources (Uses):</b>					
Operating transfers (out)	(2,400)	(9,700)	(9,506)	194	-
<b>Total Other Financing Sources (Uses)</b>	<u>(2,400)</u>	<u>(9,700)</u>	<u>(9,506)</u>	<u>194</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	-	(7,300)	(1,406)	5,894	4,665
<b>Fund Balance - Beginning</b>	<u>172,860</u>	<u>172,860</u>	<u>177,525</u>	<u>4,665</u>	<u>172,860</u>
<b>Fund Balance - Ending</b>	<u><u>172,860</u></u>	<u><u>165,560</u></u>	<u><u>176,119</u></u>	<u><u>10,559</u></u>	<u><u>177,525</u></u>

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

**Town of Carbondale, Colorado**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>2006</u>		<u>2005</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Investment earnings	8,483	16,374	7,891	13,538
<b>Total Revenues</b>	<u>8,483</u>	<u>16,374</u>	<u>7,891</u>	<u>13,538</u>
<b>Expenditures:</b>				
Construction	562,000	3,381	558,619	-
Miscellaneous	34,000	19,054	14,946	-
Construction	562,000	59,488	502,512	-
Contribution for RFTA Park 'n Ride	100,000	-	100,000	-
Street resurfacing	71,000	46,165	24,835	586,567
<b>Total Expenditures</b>	<u>1,329,000</u>	<u>128,088</u>	<u>1,200,912</u>	<u>586,567</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	(1,320,517)	(111,714)	(1,193,021)	(573,029)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	700,000	700,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>700,000</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	(620,517)	588,286	1,208,803	(573,029)
<b>Fund Balance - Beginning</b>	<u>282,762</u>	<u>149,733</u>	<u>(133,029)</u>	<u>722,762</u>
<b>Fund Balance - Ending</b>	<u>(337,755)</u>	<u>738,019</u>	<u>1,075,774</u>	<u>149,733</u>

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

Town of Carbondale, Colorado  
Schedule of Revenues and Expenditures  
Budget and Actual  
Proprietary Funds  
For the Year Ended December 31, 2006  
With Comparative Totals For the Year Ended December 31, 2005

	Water Fund				Wastewater Fund			
	2006		Variance Positive (Negative)	2005	2006		Variance Positive (Negative)	2005
	Original and Final Budget	Actual		Actual	Original and Final Budget	Actual		Actual
<b>Revenues:</b>								
<b>Charges for services:</b>								
Sale of meters	25,000	35,205	10,205	28,033	-	-	-	-
Service fees	958,863	930,917	(27,946)	814,959	1,052,927	996,480	(56,447)	872,701
Penalty assessments	3,100	4,794	1,694	2,431	2,940	-	(2,940)	2,634
Miscellaneous	5,238	17,573	12,335	12,678	66,815	10,460	(56,355)	9,125
<b>Total Revenues</b>	<u>992,201</u>	<u>988,489</u>	<u>(3,712)</u>	<u>858,101</u>	<u>1,122,682</u>	<u>1,006,940</u>	<u>(115,742)</u>	<u>884,460</u>
<b>Operating Expenses:</b>								
Operations and maintenance	455,592	135,056	320,536	11,484	1,289,563	95,456	1,194,107	123,227
Personnel costs	370,065	357,315	12,750	310,084	284,078	235,736	(48,342)	265,034
Administration	355,361	362,356	(6,995)	341,625	248,774	232,257	16,517	231,363
Miscellaneous	100,000	-	-	-	100,000	-	-	2,699
Capital outlay	-	280,739	(280,739)	290,901	-	257,101	(257,101)	208,475
<b>Total operating expenses</b>	<u>1,281,018</u>	<u>1,135,466</u>	<u>45,552</u>	<u>954,094</u>	<u>1,922,415</u>	<u>820,550</u>	<u>905,181</u>	<u>830,798</u>
<b>Operating Income (Loss) Budget Basis</b>	(288,817)	(146,977)	(49,264)	(95,993)	(799,733)	186,390	(1,020,923)	53,662
<b>Nonoperating revenues (expenses):</b>								
Investment earnings	25,168	61,990	(36,822)	38,669	83,675	128,529	44,854	72,491
Loan payments	-	(102,640)	102,640	(98,491)	254,486	(254,486)	(508,972)	(249,185)
Interest expense	(159,000)	(57,876)	(101,124)	(61,843)	(18,233)	(17,846)	387	(25,937)
<b>Total nonoperating revenues (expenses):</b>	<u>(133,832)</u>	<u>(98,526)</u>	<u>(35,306)</u>	<u>(121,665)</u>	<u>319,928</u>	<u>(143,803)</u>	<u>(463,731)</u>	<u>(202,631)</u>
Capital contributions	306,400	308,528	(2,128)	158,600	349,040	381,218	(32,178)	428,027
<b>Excess (Deficiency) of Revenues Over Expenditures Budget (Non-GAAP) Basis</b>	<u>(116,249)</u>	<u>63,025</u>	<u>(86,698)</u>	<u>(59,058)</u>	<u>(130,765)</u>	<u>423,805</u>	<u>(1,516,832)</u>	<u>279,058</u>
<b>Reconciliation to GAAP Basis:</b>								
Capitalized assets		280,739		290,901		257,101		208,475
Principal payments		102,640		98,491		254,486		249,185
Depreciation		(242,933)		(225,267)		(451,706)		(442,910)
Amortization of bond issue costs		(10,817)		(11,768)		-		(1,317)
<b>Net Income - GAAP Basis</b>		<u>192,654</u>		<u>93,299</u>		<u>483,686</u>		<u>292,491</u>

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

Town of Carbondale, Colorado  
Combining Balance Sheet  
Non-Major Governmental Funds  
December 31, 2006

	Special Revenue								
	Conservation Trust	Victims Assistance	Highway 133	CHA Mortgage	Streetscape	Community Enhancement	Development Dedication	Lodging Tax	Total Non-Major Governmental Funds
<b>Assets:</b>									
Cash	37,265	17,776	300,575	34,051	696,559	18,364	1,506,554	12,389	2,623,533
Other receivables	-	-	17,263	-	1,020	-	-	5,827	24,110
Due from other funds	-	-	20,000	-	-	-	220,000	-	240,000
Property taxes receivables	-	-	-	-	155,000	-	-	-	155,000
<b>Total Assets</b>	<u>37,265</u>	<u>17,776</u>	<u>337,838</u>	<u>34,051</u>	<u>852,579</u>	<u>18,364</u>	<u>1,726,554</u>	<u>18,216</u>	<u>3,042,643</u>
<b>Liabilities:</b>									
Due to other funds	-	-	-	-	345,000	-	-	-	345,000
Deferred revenue	-	-	-	-	155,000	-	-	-	155,000
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<b>Fund Balance:</b>									
Unreserved	37,265	17,776	337,838	34,051	352,579	18,364	1,726,554	18,216	2,542,643
<b>Total Fund Balance</b>	<u>37,265</u>	<u>17,776</u>	<u>337,838</u>	<u>34,051</u>	<u>352,579</u>	<u>18,364</u>	<u>1,726,554</u>	<u>18,216</u>	<u>2,542,643</u>
<b>Total Liabilities and Fund Balance</b>	<u>37,265</u>	<u>17,776</u>	<u>337,838</u>	<u>34,051</u>	<u>852,579</u>	<u>18,364</u>	<u>1,726,554</u>	<u>18,216</u>	<u>3,042,643</u>

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

Town of Carbondale, Colorado  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended December 31, 2006

	Special Revenue							Total Non-major Governmental Funds	
	Conservation Trust	Victims Assistance	Highway 133	CHA Mortgage	Streetscape	Community Enhancement	Development Dedication	Lodging Tax	
<b>Revenues:</b>									
Taxes	-	-	96,823	-	159,481	-	-	79,839	336,143
Intergovernmental revenue	63,820	-	-	13,542	-	-	-	-	77,362
Fines and forfeitures	-	7,598	-	-	-	-	-	-	7,598
Interest	2,630	735	10,978	494	26,157	106	65,641	692	107,433
Miscellaneous	-	-	-	-	-	4,774	192,945	-	197,719
<b>Total Revenues</b>	<b>66,450</b>	<b>8,333</b>	<b>107,801</b>	<b>14,036</b>	<b>185,638</b>	<b>4,880</b>	<b>258,586</b>	<b>80,531</b>	<b>726,255</b>
<b>Expenditures:</b>									
General government	-	-	-	13,542	-	-	-	-	13,542
Public safety	-	5,315	-	-	-	-	-	-	5,315
Public works	-	-	1,300	-	179,310	-	-	-	180,610
Culture and recreation	96,443	-	-	-	-	-	-	62,694	159,137
<b>Total Expenditures</b>	<b>96,443</b>	<b>5,315</b>	<b>1,300</b>	<b>13,542</b>	<b>179,310</b>	<b>-</b>	<b>-</b>	<b>62,694</b>	<b>358,604</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(29,993)</b>	<b>3,018</b>	<b>106,501</b>	<b>494</b>	<b>6,328</b>	<b>4,880</b>	<b>258,586</b>	<b>17,837</b>	<b>367,651</b>
<b>Other Financing Sources (Uses):</b>									
Operating transfers in	-	-	20,000	-	-	-	-	-	20,000
Operating transfers (out)	-	-	-	-	-	-	(275,500)	-	(275,500)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275,500)</b>	<b>-</b>	<b>(255,500)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<b>(29,993)</b>	<b>3,018</b>	<b>126,501</b>	<b>494</b>	<b>6,328</b>	<b>4,880</b>	<b>(16,914)</b>	<b>17,837</b>	<b>112,151</b>
<b>Fund Balance - Beginning</b>	<b>67,258</b>	<b>14,758</b>	<b>211,337</b>	<b>33,557</b>	<b>346,251</b>	<b>13,484</b>	<b>1,743,468</b>	<b>379</b>	<b>2,430,492</b>
<b>Fund Balance - Ending</b>	<b>37,265</b>	<b>17,776</b>	<b>337,838</b>	<b>34,051</b>	<b>352,579</b>	<b>18,364</b>	<b>1,726,554</b>	<b>18,216</b>	<b>2,542,643</b>

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

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Conservation Trust Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>Original and Final Budget</u>	<u>2006 Actual</u>	<u>Variance Positive (Negative)</u>	<u>2005 Actual</u>
<b>Revenues:</b>				
Intergovernmental revenue	52,000	63,820	11,820	51,972
Interest	2,278	2,630	352	2,487
<b>Total Revenues</b>	<u>54,278</u>	<u>66,450</u>	<u>12,172</u>	<u>54,459</u>
<b>Expenditures:</b>				
Capital purchases	4,500	3,942	558	13,979
Park improvements	79,000	63,604	15,396	7,040
Trail improvements	-	-	-	1,295
Equipment	-	9,200	(9,200)	-
ADA Compliance	30,000	19,697	10,303	11,312
<b>Total Expenditures</b>	<u>113,500</u>	<u>96,443</u>	<u>17,057</u>	<u>33,626</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(59,222)	(29,993)	29,229	20,833
<b>Fund Balance - Beginning</b>	<u>75,931</u>	<u>67,258</u>	<u>(8,673)</u>	<u>72,131</u>
<b>Fund Balance - Ending</b>	<u><u>16,709</u></u>	<u><u>37,265</u></u>	<u><u>20,556</u></u>	<u><u>92,964</u></u>

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



**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Victims Assistance Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>2006</u>		<u>2005</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Fines and surcharge	15,000	7,598	(7,402)	11,207
Interest	200	735	535	440
<b>Total Revenues</b>	<u>15,200</u>	<u>8,333</u>	<u>(6,867)</u>	<u>11,647</u>
<b>Expenditures:</b>				
Victim's assistance	31,308	5,315	25,993	11,147
<b>Total Expenditures</b>	<u>31,308</u>	<u>5,315</u>	<u>25,993</u>	<u>11,147</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(16,108)	3,018	19,126	500
<b>Fund Balance - Beginning</b>	<u>16,608</u>	<u>14,758</u>	<u>(1,850)</u>	<u>14,258</u>
<b>Fund Balance - Ending</b>	<u><u>500</u></u>	<u><u>17,776</u></u>	<u><u>17,276</u></u>	<u><u>14,758</u></u>

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

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Highway 133 Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<b>2006</b>		<b>2005</b>	
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>Actual</b>
<b>Revenues:</b>				
RTA tax	65,286	96,823	31,537	84,651
Interest	2,000	10,978	8,978	3,820
<b>Total Revenues</b>	<b>67,286</b>	<b>107,801</b>	<b>40,515</b>	<b>88,471</b>
<b>Expenditures:</b>				
Highway 133 construction	298,068	1,300	296,768	4,415
<b>Total Expenditures</b>	<b>298,068</b>	<b>1,300</b>	<b>296,768</b>	<b>4,415</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(230,782)</b>	<b>106,501</b>	<b>337,283</b>	<b>84,056</b>
<b>Other Financing Sources:</b>				
Operating transfers in	30,000	20,000	(10,000)	20,000
<b>Total Other Financing Sources</b>	<b>30,000</b>	<b>20,000</b>	<b>(10,000)</b>	<b>20,000</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures</b>	<b>(200,782)</b>	<b>126,501</b>	<b>327,283</b>	<b>104,056</b>
<b>Fund Balance - Beginning</b>	<b>200,782</b>	<b>211,337</b>	<b>10,555</b>	<b>107,279</b>
<b>Fund Balance - Ending</b>	<b>-</b>	<b>337,838</b>	<b>337,838</b>	<b>211,335</b>

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

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**CHA Mortgage Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<b>Original and Final Budget</b>	<b>2006 Actual</b>	<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
<b>Revenues:</b>				
Fannie Mae mortgage fee	-	-	-	677
Grant revenue	152,000	13,542	(138,458)	31,383
Interest	-	494	494	2,307
<b>Total Revenues</b>	<b>152,000</b>	<b>14,036</b>	<b>(137,964)</b>	<b>34,367</b>
<b>Expenditures:</b>				
Grant expense	152,000	13,542	138,458	31,383
<b>Total Expenditures</b>	<b>152,000</b>	<b>13,542</b>	<b>138,458</b>	<b>31,383</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>494</b>	<b>494</b>	<b>2,984</b>
<b>Fund Balance - Beginning</b>	<b>33,073</b>	<b>33,557</b>	<b>484</b>	<b>30,573</b>
<b>Fund Balance - Ending</b>	<b>33,073</b>	<b>34,051</b>	<b>978</b>	<b>33,557</b>

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

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Streetscape Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>2006</u>		<u>Variance Positive (Negative)</u>	<u>2005</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Property tax	145,000	144,986	(14)	136,400
Specific ownership tax	13,000	14,081	1,081	13,989
Delinquent tax and interest	-	414	414	592
Interest income	10,093	26,157	16,064	9,014
<b>Total Revenues</b>	<u>168,093</u>	<u>185,638</u>	<u>17,545</u>	<u>159,995</u>
<b>Expenditures:</b>				
Treasurer fee	3,000	2,915	85	2,739
Streetscape improvements	1,190,000	176,320	1,013,680	6,749
Miscellaneous	500	75	425	-
<b>Total Expenditures</b>	<u>1,193,500</u>	<u>179,310</u>	<u>1,014,190</u>	<u>9,488</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,025,407)	6,328	1,031,735	150,507
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	690,000	-	(690,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>690,000</u>	<u>-</u>	<u>(690,000)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	(335,407)	6,328	341,735	150,507
<b>Fund Balance (Deficit) - Beginning</b>	<u>336,431</u>	<u>346,251</u>	<u>9,820</u>	<u>195,744</u>
<b>Fund Balance (Deficit) - Ending</b>	<u><u>1,024</u></u>	<u><u>352,579</u></u>	<u><u>351,555</u></u>	<u><u>346,251</u></u>

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

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Community Enhancement Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	2006			2005
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Community enhancement	3,000	4,774	1,774	4,025
Interest	7	106	99	50
<b>Total Revenues</b>	3,007	4,880	1,873	4,075
<b>Expenditures:</b>				
Community projects	16,641	-	16,641	-
<b>Total Expenditures</b>	16,641	-	16,641	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(13,634)	4,880	18,514	4,075
<b>Fund Balance - Beginning</b>	13,634	13,484	(150)	9,409
<b>Fund Balance - Ending</b>	-	18,364	18,364	13,484

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

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Development Dedication Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<u>2006</u>		<u>2005</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Park development fee	21,000	1,400	(19,600)	239,300
General development fee	185,000	191,545	6,545	129,865
Investment earnings	17,250	65,641	48,391	39,881
<b>Total Revenues</b>	<u>223,250</u>	<u>258,586</u>	<u>35,336</u>	<u>409,046</u>
<b>Excess of Revenues Over Expenditures</b>	223,250	258,586	35,336	409,046
<b>Other Financing (Uses):</b>				
Operating transfers (out)	(915,000)	(275,500)	639,500	(225,500)
<b>Total Other Financing (Uses)</b>	<u>(915,000)</u>	<u>(275,500)</u>	<u>639,500</u>	<u>(225,500)</u>
<b>(Deficiency) of Revenues Over Expenditures and Other Financing (Uses)</b>	(691,750)	(16,914)	674,836	183,546
<b>Fund Balance - Beginning</b>	<u>1,725,022</u>	<u>1,743,468</u>	<u>18,446</u>	<u>1,559,922</u>
<b>Fund Balance - Ending</b>	<u><u>1,033,272</u></u>	<u><u>1,726,554</u></u>	<u><u>693,282</u></u>	<u><u>1,743,468</u></u>

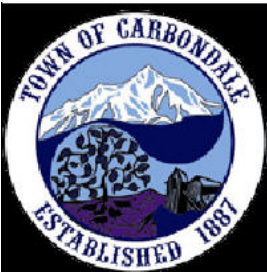
The accompanying notes are an integral part of these financial statements.

**Town of Carbondale, Colorado**  
**Special Revenue Funds**  
**Lodging Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual**  
**For the Year Ended December 31, 2006**  
**With Comparative Totals For the Year Ended December 31, 2005**

	<b>2006</b>			<b>Variance Positive (Negative)</b>	<b>2005</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>					
Lodging tax	60,000	60,000	79,839	19,839	58,999
Investment earnings	60	60	692	632	216
<b>Total Revenues</b>	<b>60,060</b>	<b>60,060</b>	<b>80,531</b>	<b>20,471</b>	<b>59,215</b>
<b>Expenditures:</b>					
Chamber of Commerce	60,060	80,000	62,694	17,306	58,911
<b>Total Expenditures</b>	<b>60,060</b>	<b>80,000</b>	<b>62,694</b>	<b>17,306</b>	<b>58,911</b>
<b>Excess of Revenues Over Expenditures</b>	-	(19,940)	17,837	37,777	304
<b>Fund Balance - Beginning</b>	-	-	379	379	75
<b>Fund Balance - Ending</b>	-	(19,940)	18,216	38,156	379

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

**ANNUAL SCHEDULE OF REVENUES AND  
EXPENDITURES FOR ROADS, BRIDGES AND STREETS**





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

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: Garfield
	YEAR ENDING : December 2006

This Information From The Records Of (example - City of _ or County of _): Town of Carbondale	Prepared By: Nancy Barnett Phone: 970-963-2733
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**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

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

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

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	191,556
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	550,762
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	11,661
2. General fund appropriations	703,081	b. Snow and ice removal	70,281
3. Other local imposts (from page 2)	320,306	c. Other	48,034
4. Miscellaneous local receipts (from page 2)	71,995	d. Total (a. through c.)	129,976
5. Transfers from toll facilities		4. General administration & miscellaneous	55,077
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	557,651
a. Bonds - Original Issues		6. Total (1 through 5)	1,485,022
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,095,382	b. Redemption	
<b>B. Private Contributions</b>	144,091	c. Total (a. + b.)	0
<b>C. Receipts from State government</b> (from page 2)	171,534	2. Notes:	
<b>D. Receipts from Federal Government</b> (from page 2)	74,015	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	1,485,022	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	1,485,022

**IV. LOCAL HIGHWAY DEBT STATUS**

(Show all entries at par)

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

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

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		1,485,022	1,485,022		0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 2006

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

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	91,080	a. Interest on investments	46,907
b. Other local imposts:		b. Traffic Fines & Penalties	25,088
1. Sales Taxes	134,552	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	94,674	g. Other Misc. Receipts	
6. Total (1. through 5.)	229,226	h. Other	
c. Total (a. + b.)	320,306	i. Total (a. through h.)	71,995
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	150,088	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	21,446	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	74,015
f. Total (a. through e.)	21,446	g. Total (a. through f.)	74,015
4. Total (1. + 2. + 3.f)	171,534	3. Total (1. + 2.g)	
			(Carry forward to page 1)

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

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		1,300	1,300
c. Construction:			
(1). New Facilities		144,091	144,091
(2). Capacity Improvements			0
(3). System Preservation		46,165	46,165
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	190,256	190,256
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	191,556	191,556
			(Carry forward to page 1)

Notes and Comments: