

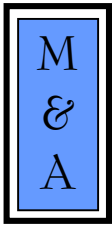
**City of Leadville, Colorado
Financial Statements
December 31, 2015**



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Financial Statements
December 31, 2015**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1- A2
Management's Discussion and Analysis	B1 – B7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	C1
Statement of Activities	C2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	C3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	C4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	C5
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C6
Notes to the Financial Statements	D1 – D25
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget (GAAP Basis) and Actual:	
General Fund	E1 – E2
Conservation Trust Fund	E3
Fire Operations Fund	E4
Schedule of Employer's Proportionate share of Net Pension Asset / Liability Fire and Police Pension Association of Colorado	E5
Schedule of City Contributions – Fire and Police Pension Association of Colorado	E6
Schedule of Changes in Net Pension Liability / (Asset) Fire "Old Hire" Plan -- Fire and Police Pension Association of Colorado	E7
Supplementary Information:	
Local Highway Finance Report	F1 – F2



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council City of Leadville, Colorado

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the City of Leadville, Colorado (the "City"), as of and for the year ended December 31, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leadville, Colorado as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Mayor and City Council
City of Leadville, Colorado

Emphasis of Matter

As discussed in Note III.E to the financial statements, in the year ended December 31, 2015, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

U. S. generally accepted accounting principles require that the Management's Discussion and Analysis in Section B and the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions in Section E, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B and the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions in Section E in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The *Local Highway Finance Report* listed in the accompanying table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. The *Local Highway Finance Report* is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



McMahan and Associates, L.L.C.
August 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Leadville, Colorado

Management's Discussion and Analysis

December 31, 2015

As management of the City of Leadville, Colorado, (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all City assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The Statement of Activities focuses on long-term economic resources and is reported on a full accrual basis.

The Statement of Activities identifies functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, judicial (court), public works (streets and maintenance), and parks and recreation.

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 City, 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 City are 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. Reconciliations are provided on pages C4 and C6 to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

Fund Financial Statements (continued): The City maintains three individual governmental funds, all of which are considered to be major funds. Information is presented separately for each fund in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. Basic governmental fund financial statements can be found on pages C3 and C5 of this report.

The City adopts annual appropriated budgets for all governmental funds. A budgetary comparison schedule has been provided for the General, Conservation Trust, and Fire Operations Funds to demonstrate compliance with State budget statutes. These budgetary comparison schedules are found in section E of this report.

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:

The following chart shows the City's assets, liabilities, and net position at December 31, 2015 and 2014:

	<u>12/31/15</u>	<u>12/31/14</u>
Assets:		
Current and other assets	2,700,403	2,084,475
Capital assets, net	<u>1,659,330</u>	<u>1,415,400</u>
Total Assets	<u>4,359,733</u>	<u>3,499,875</u>
Deferred Outflows of Resources:		
Pension related deferred outflows	82,816	-
Total Deferred Outflows of Resources	<u>82,816</u>	<u>-</u>
Liabilities:		
Other liabilities	469,610	284,770
Long-term liabilities	<u>267,039</u>	<u>220,630</u>
Total Liabilities	<u>736,649</u>	<u>505,400</u>
Deferred Inflows of Resources:		
Pension related deferred inflows	8,154	-
Unavailable property tax revenue	<u>382,411</u>	<u>364,469</u>
Total Deferred Inflows of Resources	<u>390,565</u>	<u>364,469</u>
Net Position:		
Net investment in capital assets	1,487,029	1,214,225
Restricted for emergencies	66,000	75,000
Unrestricted	<u>1,762,306</u>	<u>1,340,781</u>
Total Net Position	<u>3,315,335</u>	<u>2,630,006</u>

Overview of the Financial Statements (continued)

Total assets of the City increased \$859,858 during the past year. Cash and investments increased \$119,480 during the past year and corresponds to conservative spending. The City implemented the required Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB 68”) record net pension assets in the amount of \$175,477 for the cost sharing defined benefit pension plan for the police and fire departments. Capital assets increased by \$243,930 during the past year. This net increase in capital assets is comprised of capital additions of \$457,232 less disposals of \$15,796 and depreciation of \$213,302. Capital asset additions during the past year were related primarily to the purchase of equipment for the public works and fire departments.

Total liabilities of the City increased \$231,249 from the previous year. This increase is related to the net pension liability, the lease purchase of the public works equipment, and a decrease in accrued compensated absences. In accordance with generally accepted accounting principles, assessed but uncollected property taxes (i.e., taxes that will be collected in the subsequent year) are recorded as a receivable and as deferred inflow of resources on the City’s financial statements. The accruals for property taxes are relatively flat year over year given no significant change in the property valuations in a non-valuation period.

Long-term liabilities are comprised of accrued vacation and sick pay, net pension liability for the Fire’s Old Hire defined benefit plan and capital leases. Accrued vacation and sick pay decreased \$17,859 between 2014 and 2015. One increase to liabilities is the net pension liability of \$102,313 recorded due to the required implementation of GASB 68. Additionally, the City entered into a capital lease in 2015 in the amount of \$11,411 for the purchase of public works equipment.

Approximately 45% of the City’s net position reflects its investment in capital assets (i.e. land, infrastructure, buildings, vehicles, and equipment less accumulated depreciation and related debt), representing a 22% increase from 2014. The City uses these assets to provide services to its citizens. Accordingly, these assets are not an available source for payment of future spending. Of the remaining net position of \$1,828,306, \$66,000 has been restricted for emergencies. The remaining balance of \$1,762,306 may be used to meet the City’s ongoing obligations relating to its operations.

Consistent with the prior year, the City is able to report positive balances in all three categories of net position.

Overview of the Financial Statements (continued)

The following chart summarizes financial information relating to the City's Statement of Activities:

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	264,579	183,590
Operating grants and contributions	935,097	839,289
Capital grants and contributions	181,762	-
General revenues:		
Property taxes	363,738	363,388
Sales taxes	1,345,434	984,459
Other taxes	276,929	236,523
Loss on disposal of capital assets	3,900	35,025
Interest and other revenue	31,942	20,016
Total Revenues	<u>3,403,381</u>	<u>2,662,290</u>
Expenses:		
General government	586,098	555,421
Public safety	1,696,435	1,680,577
Judicial	17,672	21,863
Public works	494,341	554,381
Parks and recreation	29,303	19,777
Total Expenses	<u>2,823,849</u>	<u>2,832,019</u>
Change in Net Position	579,532	(169,729)
Net Position - Beginning (as restated)	<u>2,735,803</u>	<u>2,799,735</u>
Net Position - Ending	<u>3,315,335</u>	<u>2,630,006</u>

As noted above the City implemented GASB 68 in 2015 resulting in a restatement of net position at January 1, 2015. The prior year, as a whole, has not been restated because comparable information is not available. Below are the details of this restatement:

	Governmental Activities
Net Position, December 31,2014 as previously stated	\$ 2,630,006
Net Pension Assets (Liability):	
Cost share plan - Fire	77,664
Cost share plan - Police	60,167
Agent plan - Fire "Old Hire"	(96,433)
Deferred Outflow of Resources due to Pensions:	
Cost share plan - Fire	33,270
Cost share plan - Police	22,668
Agent plan - Fire "Old Hire"	8,461
Net Position, December 31,2014 as restated	<u>\$ 2,735,803</u>

Overview of the Financial Statements (continued)

The City's net position increased

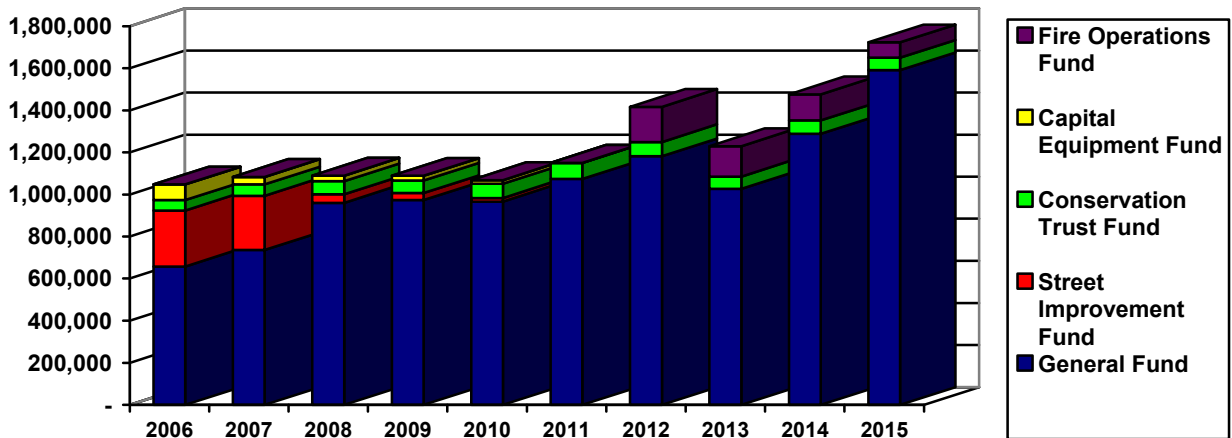
\$579,532 during 2015. Key elements of the change in net position are as follows:

- Charges for services increased by approximately
- \$80,989
- (44%) between 2014 and 2015. This increase is caused by primarily due to an increase in payments for wildland fire services.
- Sales tax revenues increased \$360,975 (37%) due to payment of a multiple years' sales taxes as determined by a Colorado Department of Revenue audit.
- Operating grants and contributions increased (33%) with the receipt of the grant for purchase of firefighter safety equipment.

Financial Analysis of the City's Funds

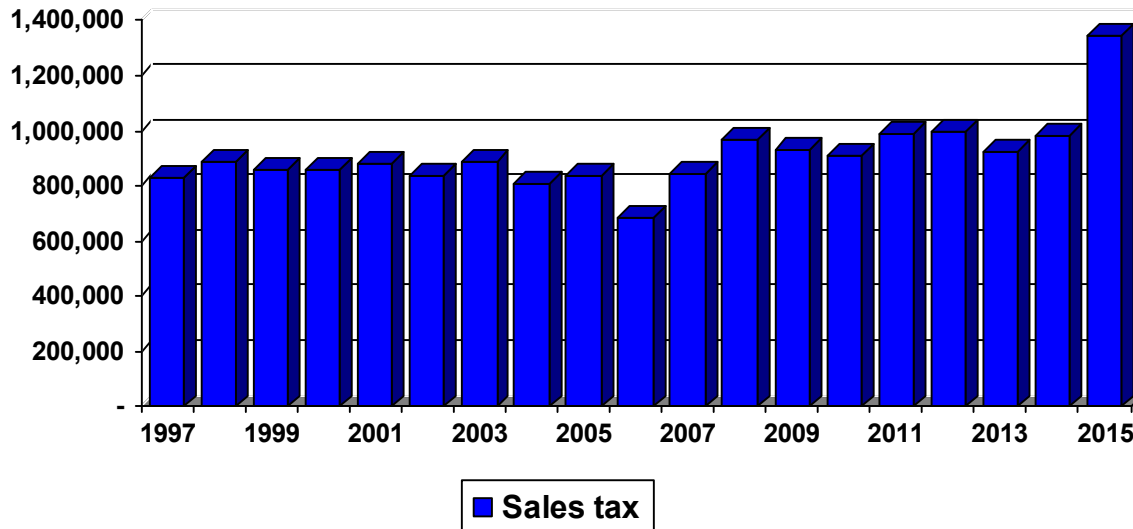
Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure 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 City's governmental funds reported combined ending fund balances of \$1,722,356, an increase of \$246,838 from the prior year ending fund balances. Unrestricted balances at December 31, 2015 were equal to 47% of aggregate 2015 expenditures, which represents a 6% increase from the percentage reported for 2014. Aggregate City fund balances for the past ten years are presented in graph below. Note in 2011 the Capital Equipment and Street Improvement Funds were closed into the General Fund due to reporting requirements.



Financial Analysis of the City's Funds (continued)

Sales Tax: The City's main funding source is sales tax. The increase in sales tax from 2014 was \$360,975 and was primarily the result of the payment by a vender for multiple years sales tax as determined by a Colorado Department of Revenue audit. The following chart indicates changes in the sales taxes.



As mentioned on page 2 of this analysis, the City uses fund accounting to ensure and demonstrate compliance with State budget statutes.

Budget Variances in the General Fund: During the year the City amended appropriations for the General Fund. Significant variances between final budget and actual amounts for the General Fund were as follows:

<u>Account</u>	<u>Variance Positive (Negative)</u>	<u>Reason</u>
Revenues:		
Sales tax	377,434	Multiple year tax payment received due to Colorado Department of Revenue audit of single vender.
Other taxes	57,596	Increase in severance tax revenue received.
Intergovernmental Grant Revenue	57,598	City received new grants in the current year.
Expenditures:		
Police Department	(17,849)	Decreased payouts for PTO and reduction in health insurance costs.
Public Works	(29,387)	Decrease in salary and wages for less senior staffing, reduction in health insurance costs, repair and maintenance cost due to new vehicles and equipment.

Capital Assets and Debt Administration

Capital Assets: The City's capital assets increased by approximately \$243,930 during the past fiscal year. Additional information as well as a detailed classification of the City's capital assets can be found in the Notes to the Financial Statements in section D of this report.

Long-term Debts: The City's long-term debt obligations increased \$46,409 at year-end for the net pension liability increase of approximate \$102,000, decrease in accrued compensated absences of approximately \$18,000 and principal payment of approximately \$40,000. Additional information can be found in the Notes to the Financial Statements on section D of this report.

Economic Factors and Next Year's Budget:

The City's General Fund balance at the end of the current fiscal year was \$1,590,374. The City's 2016 General Fund budget anticipates revenues and expenditures of \$2,056,766.

Request for Information

This financial report is designed to provide a general overview of the City'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 City of Leadville, City Treasurer, 800 Harrison Avenue, Leadville, Colorado 80461.

GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Leadville, Colorado
Statement of Net Position
Governmental Activities
December 31, 2015

Assets:

Cash and Cash Equivalents:	
Unrestricted	1,533,295
Restricted	134,736
Receivables, net:	
Property taxes	382,411
Other	26,030
Intergovernmental	413,636
Prepaid expenses	11,318
Property held for resale	23,500
Net Pension Assets:	
Cost share plan - Fire	104,368
Cost share plan - Police	71,109
Capital Assets, not being depreciated	278,608
Depreciable capital assets, net	1,380,722
Total Assets	<u>4,359,733</u>

Deferred Outflows of Resources:

Pension related deferred outflows:	
Cost share plan - Fire	42,056
Cost share plan - Police	29,909
Agent plan - Fire "Old Hire"	10,851
Total Deferred Outflows of Resources	<u>82,816</u>

Liabilities:

Accounts payable	261,131
Accrued payroll	31,265
Accrued expenses	125,706
Deposits	2,057
Accrued compensated absences:	
Due in more than one year	41,876
Net Pension Liability:	
Agent plan - Fire "Old Hire"	102,313
Debt payable:	
Due within one year	49,451
Due in more than one year	122,850
Total Liabilities	<u>736,649</u>

Deferred Inflows of Resources:

Pension related deferred inflows:	
Cost share plan - Fire	6,689
Cost share plan - Police	1,465
Unavailable property tax revenue	382,411
Total Deferred Inflows of Resources	<u>390,565</u>

Net Position:

Net investment in capital assets	1,487,029
Restricted for emergencies	66,000
Unrestricted	1,762,306
Total Net Position	<u>3,315,335</u>

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

City of Leadville, Colorado
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
General government	586,098	123,807	49,705	-	(412,586)
Public safety	1,696,435	125,569	725,542	181,762	(663,562)
Judicial	17,672	7,976	-	-	(9,696)
Public works	494,341	7,227	135,026	-	(352,088)
Parks and recreation	29,303	-	24,824	-	(4,479)
Total Governmental Activities	2,823,849	264,579	935,097	181,762	(1,442,411)
General Revenues:					
					1,345,434
					363,738
					17,486
					125,243
					134,200
					2,085
					3,900
					29,857
					2,021,943
					579,532
					2,735,803
					3,315,335

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

FUND FINANCIAL STATEMENTS



City of Leadville, Colorado
Balance Sheet
Governmental Funds
December 31, 2015

	<u>General</u>	<u>Conservation Trust</u>	<u>Fire Operations</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents:				
Unrestricted	1,437,345	66,904	29,046	1,533,295
Restricted	134,736	-	-	134,736
Property taxes assessed but not collectible until subsequent year	382,411	-	-	382,411
Other receivables	26,030	-	-	26,030
Due from other Governments	89,374	-	324,262	413,636
Due from other funds	74,999	-	-	74,999
Prepaid expenses	11,318	-	-	11,318
Property held for resale	23,500	-	-	23,500
Total Assets	<u>2,179,713</u>	<u>66,904</u>	<u>353,308</u>	<u>2,599,925</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	52,266	7,632	201,233	261,131
Accrued payroll	26,899	-	4,366	31,265
Accrued expenses	125,706	-	-	125,706
Due to other funds	-	-	74,999	74,999
Deposits	2,057	-	-	2,057
Total Liabilities	<u>206,928</u>	<u>7,632</u>	<u>280,598</u>	<u>495,158</u>
Deferred Inflows of Resources:				
Unavailable property tax revenue	382,411	-	-	382,411
Total Deferred Inflow of Resources	<u>382,411</u>	<u>-</u>	<u>-</u>	<u>382,411</u>
Fund Balances:				
Unspendable				
Prepaid expenses	11,318	-	-	11,318
Property held for sale	23,500	-	-	23,500
Restricted for:				
Emergencies	66,000	-	-	66,000
Recreation	-	59,272	-	59,272
Committed for:				
Capital equipment repair and replacement	-	-	43,826	43,826
Program and training costs	-	-	28,884	28,884
Unassigned:				
General Fund	1,489,556	-	-	1,489,556
Total Fund Balances	<u>1,590,374</u>	<u>59,272</u>	<u>72,710</u>	<u>1,722,356</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>2,179,713</u>	<u>66,904</u>	<u>353,308</u>	<u>2,599,925</u>

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

City of Leadville, Colorado
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2015

Governmental Funds Total Fund Balance	1,722,356
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net	1,659,330
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Other long-term assets and deferred outflows are not available for current period expenditures and, therefore, are not reported in the funds.

Net Pension Assets:		
Cost Share Plan - Fire	104,368	
Cost Share Plan - Police	71,109	175,477
Deferred Outflows of Resources:		
Cost Share Plan - Fire	42,056	
Cost Share Plan - Police	29,909	
Agent - Fire "Old Hire"	10,851	82,816

Long-term liabilities and deferred outflows are not due and payable in the current period, and therefore are not reported in the funds.

Net Pension Liabilities:		
Agent - Fire "Old Hire"		(102,313)
Deferred inflows of resources:		
Cost Share Plan - Fire	(6,689)	
Cost Share Plan - Police	(1,465)	(8,154)
Accrued compensated absences	(41,876)	
Capital lease payable	(172,301)	(214,177)

Net Position of Governmental Activities	<u>3,315,335</u>
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The accompanying notes are an integral part of these financial statements.

City of Leadville, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	<u>General</u>	<u>Conservation Trust</u>	<u>Fire Operations</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	1,986,100	-	-	1,986,100
Licenses and permits	45,552	-	-	45,552
Intergovernmental revenue	226,818	24,824	866,620	1,118,262
Charges for services	85,530	-	94,240	179,770
Fines and forfeitures	27,010	-	-	27,010
Investment income	1,926	102	56	2,084
Donations and contributions	5,075	-	749	5,824
Other income	34,876	-	-	34,876
Total Revenues	<u>2,412,887</u>	<u>24,926</u>	<u>961,665</u>	<u>3,399,478</u>
Expenditures:				
General government	548,055	-	-	548,055
Public safety	607,659	-	1,044,789	1,652,448
Judicial	17,670	-	-	17,670
Public works	433,869	-	-	433,869
Parks and recreation	-	29,302	-	29,302
Debt Service:				
Principal	40,287	-	-	40,287
Interest	6,681	-	-	6,681
Capital outlay	178,424	-	261,215	439,639
Total Expenditures	<u>1,832,645</u>	<u>29,302</u>	<u>1,306,004</u>	<u>3,167,951</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>580,242</u>	<u>(4,376)</u>	<u>(344,339)</u>	<u>231,527</u>
Other Financing Sources (Uses):				
Transfers in	-	-	292,982	292,982
Transfers (out)	(292,982)	-	-	(292,982)
Sale of capital assets	3,900	-	-	3,900
Lease proceeds	11,411	-	-	11,411
Total Other Financing Sources (Uses)	<u>(277,671)</u>	<u>-</u>	<u>292,982</u>	<u>15,311</u>
Net Change in Fund Balances	302,571	(4,376)	(51,357)	246,838
Fund Balances - Beginning	<u>1,287,803</u>	<u>63,648</u>	<u>124,067</u>	<u>1,475,518</u>
Fund Balances - Ending	<u><u>1,590,374</u></u>	<u><u>59,272</u></u>	<u><u>72,710</u></u>	<u><u>1,722,356</u></u>

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

City of Leadville, Colorado
Reconciliation of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	246,838
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 by which capital outlay exceeded depreciation expense during the year and includes assets contributed, traded in, and disposed of.	243,930
The issuance of long-term debt (i.e. capital leases) provides current financial resources to the governmental funds, however this transaction has no effect on net assets. This is the amount of capital lease proceeds.	(11,411)
The repayment of principal on long-term debt consumes the current financial resources of governmental funds. This is the amount of principal repayments reported in the governmental funds.	40,287
Changes in the District's net pension asset reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in the District's net pension asset during the year, including difference between employer contributions to the pension plan and amortization of pension-related deferrals	42,029
Some expenses reported in the Statement of Activities do not require the use of current financial resources. This is the change compensated absences.	17,859
Change in Net Position of Governmental Activities	<u><u>579,532</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS



City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015

I. Summary of Significant Accounting Policies

The financial statements of the City of Leadville (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City is incorporated under the laws of the State of Colorado and operates under an elected Mayor-Council form of government. The financial statements of the reporting entity include those of the City (the primary government) and any component units for which the City is financially accountable. The City is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of that organization's governing body, if it is able to impose its will on that organization, or if there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. Consideration is also given to other organizations that are fiscally dependent upon the City; that is, organizations that are unable to adopt a budget, levy taxes, or issue debt without approval by the City. Finally, organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on these criteria, the City is not financially accountable for any other entity, nor is the City a component unit of any other government.

B. Government-wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's individual funds).

1. Government-wide Financial Statements

The government-wide financial statements report information on all non-fiduciary activities of the City and categorize primary activities as either governmental or business-type. The City's governmental activities include general government, public safety, judicial (court), public works (streets and maintenance) and parks and recreation. The City does not have any business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental 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 City's net position is reported in three parts: net investment in capital assets, net of related debt; restricted net position, and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, 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 (public safety, public works, etc.).

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

1. Government-wide Financial Statements (continued)

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) are mostly supported by general revenues (property and sales taxes, interest income, etc.).

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

2. Fund Financial Statements

The financial transactions of the City 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 is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The City reports the following major governmental funds:

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

The *Conservation Trust Fund* accounts for lottery proceeds required to be expended solely on park and recreation improvements.

The *Fire Operations Fund* accounts for the City's revenue and expenditures relating to the Fire Department operations.

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

The government-wide 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.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 (60 days) 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.

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.

2. Investments

Investments are stated at fair market value.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. The City uses the allowance method for recognizing the potential uncollectibility of delinquent accounts receivable. At December 31, 2015, no allowance has been established, as all amounts are considered collectible.

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 GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets

Capital assets, which include land, infrastructure, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years with an initial cost of \$5,000 or more. Purchased assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Buildings, equipment and vehicles and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings	30
Equipment and vehicles	3 - 30
Infrastructure	15 - 20

6. Compensated Absences

For governmental funds, vested and accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources, is reported as expenditures and a fund liability of the governmental fund that will pay it. Vested and accumulated vacation and sick leave not expected to be liquidated with expendable available financial resources are not reported in the governmental fund financial statements. However, these amounts are reported in the government-wide financial statements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated to be paid upon termination.

7. Deferred outflows / inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category at December 31, 2015 deferred outflow related to its pension obligations which are further described at Notes G.1. and G.2.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Deferred outflows / inflows of resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in the category. Property taxes are deferred and recognized as an inflow from resources in the period that the amounts become available. Collective deferred inflows related to the City's net pension obligation. For further details, see Notes G.1. and G.2.

8. Fund Balance

The City classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the City Council.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

10. Restricted Assets

Certain resources of the City are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable agreements.

E. Significant Accounting Policies

1. Use of Estimates

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

2. Restricted and Unrestricted Resources

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

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 Position

The governmental fund Balance Sheet includes a reconciliation between *governmental funds total fund balance* and *net position of governmental activities* as reported in the government-wide Statement of Net Position. 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 \$1,659,330 difference is related to capital assets of \$5,416,074 less accumulated depreciation of \$3,756,744.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position 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 \$243,930 difference are capital outlay of \$457,232, less depreciation expense of \$213,302.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with GAAP. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado Statutes, the City followed the required timetable noted below in preparing, approving, and enacting its budget for 2015:

1. For the 2015 budget year, prior to August 25, 2014, the County Assessor sent to the City an assessed valuation of all taxable property within the City's boundaries. The County Assessor may change the assessed valuation on or before December 15, 2014, only once by a single notification to the City.
2. The Mayor, or other qualified person appointed by the Council, submitted to the Council, on or before October 15, 2014, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the City's operating requirements.
3. Prior to December 15, 2014, a public hearing was held for the budget, the Council certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Council adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After a required publication of "Notice of Proposed Budget", the City adopted the proposed budget and a resolution that legally appropriated expenditures for the upcoming year.
5. After adoption of the budget resolution, the City may make the following changes:
a) it may transfer appropriated money between funds; b) it may approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) it may approve emergency appropriations, and d) it may reduce appropriations for which originally estimated revenues are insufficient.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2014 were collected in 2015 and taxes certified in 2015 will be collected in 2016. 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.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known 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. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

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. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The City has reserved \$66,000 for TABOR, which is the approximate required reserve at December 31, 2015.

On November 2, 2004, the eligible electors of the City authorized the City to collect, retain, and expend the full amount of revenue generated from all sources during 2004 and each subsequent year thereafter, excluding property taxes and occupational license fees, without limitation to Article X, Section 20 of the Colorado Constitution, providing the increase above the base year revenue shall be expended as follows:

1. Twenty-five (25%) of excess revenue generated shall be used to reduce property taxes, to be accomplished through a temporary mill levy reduction. The temporary mill levy reduction shall not be reinstated unless the City's revenue decreases below the adjusted base year.
2. Seventy-five (75%) of the revenue increased shall be expended for the purposes of providing for the health, safety, and welfare of the people of Leadville.

If the City's mill levy were to reach zero for three years consecutively, a vote will be required to reinstate it. The ballot question also allows the City to eliminate the temporary mill levy credit if revenues decrease below the adjusted 2003 base year revenue limit.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

C. During the year ended December 31, 2015 the City reported expenditures in excess of appropriations for the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund	\$ 1,622,827	\$ 1,654,225	\$ 31,398
Conservation Trust Fund	\$ 29,156	\$ 29,302	\$ 146

This may be a violation of state statutes.

IV. Detailed Notes on all Funds

A. Deposits and Investments

The City's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the City's cash and investments was \$1,668,031 at year end. The City had the following cash and investments with the following maturities at December 31, 2015:

	<u>Standard & Poors Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>Less than five years</u>
<i>Deposits:</i>				
Petty Cash	Not rated	\$ 185	\$ 185	\$ -
Checking	Not rated	1,542,140	1,542,140	-
Savings	Not rated	125,706	125,706	-
		<u>\$ 1,668,031</u>	<u>\$ 1,668,031</u>	<u>\$ -</u>

The investment pool represents an investment in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The fair market value of the pool is determined by the pool's share price. The City has no regulatory oversight for the pool.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the City coordinates its investment maturities closely to match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk. Colorado statutes specify instruments in which local governments may invest, including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

The City's general investment policy is to apply the prudent-person rule; Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

B. Restricted Cash

Restricted cash and investments consisted of the following at December 31, 2015:

Bail bonds	\$	1,907
Court surcharge		7,123
Police Chief retirement obligation		<u>125,706</u>
Total Restricted Cash	\$	<u>134,736</u>

C. Note Receivable – Tabor Grand Hotel

The City was the holder of a promissory note (the "Note") for \$557,539 as a result of its participation in the rehabilitation of the Tabor Grand Hotel in Leadville, which was partially funded by a Federal UDAG grant. The following are some provisions of the Note:

Principal is \$557,539, annual interest rate is 7.33% beginning February 19, 1992, and is payable as follows:

1. Interest payments shall be deferred and accrued until August 27, 1994, and such deferred and accrued interest shall be due and payable at the maturity of or upon the acceleration of this Note.
2. Two Hundred Sixteen (216) consecutive interest-only payments of One Thousand Three Hundred Ninety-Four Dollars (\$1,394), representing interest on the principal at the rate of three percent (3%) per annum, shall be paid commencing August 27, 1994, and continuing on the same day of each succeeding month thereafter until July 27, 2012. The balance of the annual interest, four and 33/100 percent (4.33%) per annum, shall be deferred and accrued, and such deferred and accrued interest shall be payable at the maturity of or upon the acceleration of this Note.
3. The entire unpaid balance of this Note, including the principal of \$557,539, and all deferred and accrued interest provided above, shall be due and payable without demand, if not sooner paid, on August 27, 2012, in one balloon payment.

The maker of the Tabor Grand Hotel promissory note (see Note IV. C) notified the City of its inability to service the debt. On February 16, 2012 the City acquired the Tabor Grand Hotel at foreclosure sale for \$177,872.

On May 16, 2012 the City sold the Tabor Grand for \$240,000 in cash and a note receivable of \$901,364 to the Tabor Grand LLC, A Colorado Limited Liability Company ("Purchaser"). The terms of the note receivable include an interest rate of 2.0% with a maturity date of May, 18, 2032. Interest payments begin June 14, 2015 and continue monthly until maturity or payment in full. The note allows for a reduction in the principal owed if the Purchaser agrees to designate units for low and moderate income residents of the community. If the required conditions are met, the City will accept full payment detailed by amounts and timeframe as follows:

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

C. Note Receivable – Tabor Grand Hotel (continued)

On May 16, 2012 the City sold the Tabor Grand for \$240,000 in cash and a note receivable of \$901,364 to the Tabor Grand LLC, A Colorado Limited Liability Company (“Purchaser”). The terms of the note receivable include an interest rate of 2.0% with a maturity date of May, 18, 2032. Interest payments begin June 14, 2015 and continue monthly until maturity or payment in full. The note allows for a reduction in the principal owed if the Purchaser agrees to designate units for low and moderate income residents of the community. If the required conditions are met, the City will accept full payment detailed by amounts and timeframe as follows:

Date paid	Amount
May 18, 2012 to May 18, 2013	\$ 350,000
May 19, 2013 to November 18, 2013	375,000
November 19, 2013 to May 18, 2014	400,000
May 19, 2014 to November 18, 2014	425,000
November 19, 2014 to May 18, 2015	450,000
May 19, 2015 or later	500,000

The City accepted \$375,000 as payment in full and received the funds in 2014. The settled transaction results in a loss on note receivable of \$526,364, which the City recognized at December 31, 2013.

D. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 43,608	\$ -	\$ -	\$ 43,608
Work in Process	-	235,000	-	235,000
Total Capital Assets, Not Being Depreciated	43,608	235,000	-	278,608
Capital assets, being depreciated:				
Infrastructure	484,283	-	-	484,283
Buildings	703,822	-	-	703,822
Equipment and vehicles	3,742,925	222,232	(15,796)	3,949,361
Total Capital Assets Being Depreciated	4,931,030	222,232	(15,796)	5,137,466
Less accumulated depreciation for:				
Infrastructure	(255,716)	(28,677)	-	(284,393)
Buildings	(642,293)	(3,577)	-	(645,870)
Equipment and vehicles	(2,661,229)	(181,048)	15,796	(2,826,481)
Total Accumulated Depreciation	(3,559,238)	(213,302)	15,796	(3,756,744)
Total Capital Assets, Being Being Depreciated, Net	1,371,792	8,930	-	1,380,722
Governmental activities capital assets, net	\$ 1,415,400	\$ 243,930	\$ -	\$ 1,659,330

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

The City had capital outlay expenditures and depreciation expense for 2015 as follows:

	<u>Depreciation Expense</u>	<u>Capital Outlay</u>
Governmental activities:		
General government	\$ 3,601	\$ -
Public safety	103,965	396,215
Public works	105,736	61,017
Total	<u>\$ 213,302</u>	<u>457,232</u>

E. Interfund Activity

1. Internal Balances

Balances due between funds at December 31, 2015 were as follows:

	<u>Due To</u>	<u>Due From</u>
General	\$ 74,999	\$ -
Fire Operations	-	74,999
	<u>\$ 74,999</u>	<u>\$ 74,999</u>

The internal balance between the General Fund and Fire Fund is due to temporary cash flow.

2. Transfers

Transfers made during 2015 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 292,982
Fire Operations	292,982	-
	<u>\$ 292,982</u>	<u>\$ 292,982</u>

The transfer made from the General Fund to the Fire Fund was the General Fund's subsidy of the fire protection operations.

F. Long-term Liabilities

1. Capital Leases

The City has entered into the following leases:

Police Equipment: On November 15, 2012, the City entered into a five year lease in the amount of \$16,861 for the purchase of public safety equipment, bearing interest at 4.50%. Lease payments of \$327 are due monthly on the 15th through September 15, 2017.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Long-term Liabilities (continued)

1. Capital Leases (continued)

Police Vehicles: On October 28, 2013 the City entered into a three lease purchase agreement for two police cars in the amount of \$44,245, bearing interest at 6.09%. Lease payments of \$1,341 are due monthly on the 28th through September 28, 2016.

Loader: On October 9, 2014 the City entered into a seven-year lease purchase agreement for a loader in the amount of \$168,035, bearing interest at 3.20%. Lease payments of \$2,239 are due monthly on the 9th through October 9, 2021.

Street Cleaning Equipment: On May 12, 2015, the City entered into a one-year lease purchase agreement for street cleaning equipment in the amount of \$23,122, bearing zero interest rate. Payment is due in full on June 9, 2016.

Future lease payments for the City are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 43,895	\$ 4,823	\$ 48,718
2017	31,682	3,601	35,283
2018	24,087	2,782	26,869
2019	24,880	1,988	26,868
2020	25,696	1,173	26,869
2021	22,061	329	22,390
Total	<u>\$ 172,301</u>	<u>\$ 14,696</u>	<u>\$ 186,997</u>

Interest expense, as functionally allocated, for the year ended December 31, 2015 is:

	<u>Interest Expense</u>
Governmental activities:	
Public safety	\$ 1,668
Public works	5,013
Total	<u>\$ 6,681</u>

The net book value of the assets acquired through the capital lease is computed as follows at December 31, 2015:

Cost	\$ 293,954
Less: accumulated depreciation	(79,545)
Net book Value	<u>\$ 214,409</u>

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Long-term Liabilities (continued)

2. Accrued Compensated Absences

City employees accumulate paid time off (“PTO”) based upon their length of employment. All employees are encouraged to use their PTO within the year it is earned. Unused accumulated PTO is payable to employees upon termination, subject to certain maximum limits. Therefore, a liability for unused paid time off is shown on the City’s government-wide financial statements.

As of January 1, 2016, all accrued vacation and sick time was converted into PTO.

3. Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 164,479	\$ 11,411	\$ (3,589)	\$ 172,301	\$ 49,451
Compensated absences	59,736	-	(17,860)	41,876	-
Net pension liability	96,433	-	5,880	102,313	-
Total	<u>\$ 320,648</u>	<u>\$ 11,411</u>	<u>\$ (15,569)</u>	<u>\$ 316,490</u>	<u>\$ 49,451</u>

These liabilities are generally liquidated by the General Fund and the Fire Operations Fund.

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

1. FPPA Statewide Defined Benefit Plan

Plan Description: The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SDBP may include clerical and other personnel from fire districts whose services are auxiliary to fire protection.

Contributions: Determined by state statute or by election of the members, contributions are set at a level that enables all benefits to be fully funded at the retirement date of all members. Employees and employers are contributing at a rate of 8% of base salary for a total contribution rate of 16% through 2014. In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022. Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20% of base salary through 2014. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

1. FPPA Statewide Defined Benefit Plan

Contributions (continued): The contribution rate for members and employers of affiliated social security employers is 4% of base salary for a total contribution rate of 8% effective January 1, 2007 through 2014. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Benefits: On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA.

The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Benefits (continued): A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Net Pension (Liability) Asset: At December 31, 2015, the City reported an asset of \$104,368 and \$71,109 for its proportionate share of the net pension liability for fire and police respectively. (The City reported an asset because the Plan's fiduciary net position currently exceeds the total pension liability.) The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2015. The City's proportion of the net pension liability was based on City contributions to the Plan for the calendar year 2014 relative to the total contributions of participating employers to the Plan.

At December 31, 2015, the City proportions for fire and police were as follows:

	Proportionate Share	
	2014	2013
Fire	0.092478%	0.086854%
Police	0.063008%	0.067286%

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fire		Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,150	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	8,229	-	5,607	-
Changes in proportionate share of contributions	-	4,561	3,469	-
Contributions subsequent to measurement date	33,827	-	20,833	-
	\$ 42,056	\$ 6,711	\$ 29,909	\$ -

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Net Pension (Liability) Asset (continued): Contributions subsequent to the measurement date of December 31, 2014, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amortization</u>	
	<u>Fire</u>	<u>Police</u>
2016	\$ (965)	\$ (1,311)
2017	(965)	(1,311)
2018	(965)	(1,311)
2019	(965)	(1,311)
2020	(965)	(1,311)
thereafter	3,307	(1,056)
	<u>\$ (1,518)</u>	<u>\$ (7,611)</u>

Actuarial assumptions: The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial method	Entry Age Normal
Amortization Method	Level % of Payroll, open
Amortization Period	30 years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term investment Rate of Return	7.50%
Projected Salary Increases	4.0% - 14.0%
Cost of Living Adjustments (COLA)	0.00%
Includes inflation at	3.00%

The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every five years the Fire & Police Pension Association's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2011 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Actuarial assumptions (continued): The assumption changes were effective for actuarial valuations beginning January 1, 2012. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used. The date the new actuarial assumptions were effective for benefit purposes was October 1, 2012.

Effective with the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets. Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2014 are summarized in the following table:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Collective net pension liability (asset)	\$ 106,403,288	\$ (112,857,546)	\$ (295,749,798)
Proportionate share of net pension liability (asset):			
Fire	\$ 98,399	\$ (104,368)	\$ (273,503)
Police	\$ 67,043	\$ (71,109)	\$ (186,346)

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. FPPA Statewide Defined Benefit Plan (continued)

Discount rate (continued): Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Pension plan fiduciary net position: Detailed information about the Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at: http://www.fppaco.org/annual_reports.htm.

2. Agent Fire "Old Hire" Pension Plan

Plan Description: The City is trustee of a single-employer defined benefit pension plan available to provide retirement income for all volunteer fire fighters in recognition of their service to the City. FPPA administers an agent multiple-employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at http://fppaco.org/pdfs/annual_audit_actuarial_reports.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. Agent Fire “Old Hire” Pension Plan (continued)

Plan Description (continued): The plan provides normal retirement benefits, severance, and death and disability benefits. Normal retirement benefits begin at 50 years of age and upon completion of 18 years of service, and include monthly pension equal to one-half of his monthly salary at the date of his retirement. For severances, firefighters have the option to refund their contribution with 5% annual interest, or to receive deferred retirement pensions equal to one-half their monthly salary if they meet the age and service requirements of the normal retirement benefit. If a firefighter eligible to receive or is receiving benefits dies in retirement, the surviving spouse shall receive, until death or remarriage, a monthly pension equal to one-half the monthly pension the firefighter was entitled to receive. There are no vested retirement benefits.

As of January 1, 2015 the latest actuarial valuation date, there were 3 active members, 0 service retirees and beneficiaries, and 0 terminated vested members.

Funding Policy: The funding of the plan by the City and members is authorized by the Board of Trustees. The contribution by the State of Colorado (the “State”) toward fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State who apply for State matching funds, based upon the amounts contributed by the employer up to a maximum of one half (1/2) mill on the assessed valuation or 90% of City contributions, whichever is less. Since the City currently offers maximum retirement benefits in excess of \$300 per month, the State will match at the level determined above but no greater than the maximum of: (1) the amount necessary to fund a pension of \$300 per month on an actuarially sound basis, and (2) the amount of State contributions provided in the prior year.

Net Pension Liability: At December 31, 2015, the volunteer pension fund reported a net pension liability of \$102,313. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. Agent Fire “Old Hire” Pension Plan (continued)

Actuarial Assumptions: The significant actuarial assumptions used in the valuation as of January 1, 2015 were:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	19 Years
Asset valuation method	5-Year Smoothed Market
Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	Any remaining actives are assumed to retire immediately.
Mortality	Post-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment. Disabled: RP-2000 Disabled Mortality Tables All tables projected with Scale AA.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) the long-term expected rate of return on pension plan investments (7.50%), and (2) tax-exempt municipal bond rate based on an index of 20-year obligation bonds with an average AA credit rating as of the measurement date (3.65%) to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits. The resulting Single Discount Rate is 7.50%.

Regarding the sensitivity of the net pension asset (liability) to changes in the Single Discount Rate, the following represent the plan's net pension liability / (asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability / (asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 121,962	\$ 102,313	\$ 85,022

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

V. Detailed Notes on all Funds (continued)

G. Pension Assets (Liabilities), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

2. Agent Fire “Old Hire” Pension Plan (continued)

Actuarial Assumptions (continued): In connection with the City’s Fire and Police Protection Retirement Plan, the following deferred outflow of resources and deferred inflows of resources were reported at December 31, 2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,058	\$ -
Contributions subsequent to measurement date	9,793	-
	\$ 10,851	\$ -

Contributions subsequent to the measurement date of December 31, 2014, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in subsequent years. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as a component of pension expense in future years as follows

December 31,	Amortization
2016	\$ 265
2017	265
2018	265
2019	263
	\$ 1,058

H. Other Payroll Obligation - Police Chief Retirement Benefit Obligation

The City has one retired police chief who is covered by an agreement to provide retirement benefits. The benefit provides approximately \$30,000 in annual payments. In 2015 the City has set aside \$125,706 to provide this benefit. The City has not completed recurring actuarial evaluations due to the fact that there is only one beneficiary receiving benefits who is age 81 as of December 31, 2015. No other City employees currently participate or will participate in the plan in the future as all employees hired after April 8, 1978, are covered by a FPPA “new hire” pension plan.

The payment is based upon 65% of the average salary received one year before retirement, with an adjustment of 3% of such average salary for each year of service completed in excess of 22 years, up to a maximum of 100% of such policemen’s average salary.

The City has recorded this amount as restricted cash and a liability as accrued expenses in the General Fund.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

V. Other Information

A. Risk Management

1. Colorado Intergovernmental Risk Sharing Agency

The City is exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; general property liability and errors and omissions. To address such risks, the City is a participant in a public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency ("CIRSA").

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$500,000 per claim or occurrence for property, \$600,000 per claim or occurrence for liability, \$600,000 for public officials' liability and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the City may be liable for any losses in excess of this coverage, the City does not anticipate such losses at December 31, 2015. The deductible amount paid by the City for each incident in 2015 was \$1,000. All settlements for the year-ended December 31, 2015 were under the maximum coverage allowed.

Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as 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.

The City's share of CIRSA's assets, liabilities and fund equity as of December 31, 2015, (the latest year for which audited data is available) is as follows:

Property and Casualty Pool:	Equity Ratio
Operating Fund	0.0186%
Loss Fund	0.0009%
Excess Fund	-0.1602%
Reserve Fund	0.1748%

CIRSA's combined financial information for the year ended December 31, 2015, is summarized as follows:

Assets:	
Cash and investments	\$ 80,334,087
Other assets	<u>5,954,977</u>
Total assets	<u>86,289,064</u>
Total liabilities	<u>39,544,707</u>
Net position	<u>\$ 46,744,357</u>
Total revenues	\$ 25,465,310
Total expenses	<u>(27,643,670)</u>
Change in net position	<u>\$ (2,178,360)</u>

A copy of CIRSA's audit report can be obtained by writing to CIRSA, 3665 Cherry Creek North Drive, Denver, CO 80209, or by calling (800)-228-7136.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

V. Other Information (continued)

A. Risk Management (continued)

2. Workers Compensation

The City is exposed to various risks of loss related to worker's compensation. The City has acquired commercial coverage for this risk and any settled claims are not expected to exceed the commercial insurance coverage. There is no change in coverage from past years, and settlements have not exceeded coverage for each of the past three fiscal years.

B. Commitments and Contingencies

1. Legal Claims

During the normal course of business, the City may incur claims and other assertions against it from various agencies and individuals. Management of the City and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2015.

2. Federal and State Grants and Financial Sources

The City receives financial assistance from federal and state governmental agencies in the form of grants and operating agreements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of the City, any such disallowed claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

C. Intergovernmental Agreements

In accordance with an intergovernmental agreement with Lake County, Colorado ("County"), the County reimburses the City for 70% of the City's fire protection expenditures. The County's share of fire protection expenditures totaled \$683,624 for the year ended December 31, 2015.

In accordance with an intergovernmental agreement with Lake County, the County and City equally share all costs associated with the construction and maintenance of an animal shelter. The City is responsible for providing staffing of 12 hours per week for the animal shelter via the City's Police Department. The County's share of animal shelter costs totaled \$34,861 during 2015.

In 2004, the City entered into an agreement with the County Health Pool for administration of a health insurance program for all full-time non-elected City employees. Under this agreement, the City must purchase and pay for 50% of the employees' health insurance premiums (the City is currently paying 75%), and 100% of employees' group life insurance premiums must be purchased by the City. Employees are eligible for coverage after 30 days of continuous full time employment.

City of Leadville, Colorado
Notes to the Financial Statements
December 31, 2015
(Continued)

V. Other Information (continued)

D. Subsequent Events – Lease Purchase

On May 6, 2016, the City entered into a lease purchase agreement for three police interceptors in the amount of \$108,314, payable over 48 months and bearing 5.45% interest.

E. Restatement of Prior Periods

For the year ended December 31, 2015, the City adopted the provisions of GASB Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB 68”), and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (“GASB 71”), which are effective for financial statements for periods beginning after June 15, 2014. GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 requires employers participating in the FPPA programs to record the plans’ net pension asset (liability), as defined in GASB 68. For the City, the effect of implementing this standard was to change how it accounts for and reports the net pension asset. Implementation of the standard resulted in a restatement of the prior period Net Position as follows:

	Governmental Activities
Net Position, December 31, 2014 as previously stated	\$ 2,630,006
Net Pension Assets (Liability):	
Cost share plan - Fire	77,664
Cost share plan - Police	60,167
Agent plan - Fire "Old Hire"	(96,433)
Deferred Outflow of Resources due to Pensions:	
Cost share plan - Fire	33,270
Cost share plan - Police	22,668
Agent plan - Fire "Old Hire"	8,461
Net Position, December 31, 2014 as restated	\$ 2,735,803

REQUIRED SUPPLEMENTARY INFORMATION



City of Leadville, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015
(With Comparative Actual Amounts For the Year Ended 2014)

	2015			Final Budget Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Taxes:					
Property tax	365,464	365,464	363,738	(1,726)	363,388
Specific ownership tax	22,597	22,597	17,486	(5,111)	17,161
Sales tax	968,000	968,000	1,345,434	377,434	984,459
Franchise tax	130,000	130,000	125,243	(4,757)	138,975
Other taxes	76,604	76,604	134,200	57,596	80,387
Total Taxes	<u>1,562,665</u>	<u>1,562,665</u>	<u>1,986,101</u>	<u>423,436</u>	<u>1,584,370</u>
Licenses and Permits:					
Liquor license fee	1,600	1,600	8,948	7,348	2,169
Business licenses	18,000	18,000	28,575	10,575	33,299
Private parking permits	4,000	4,000	5,950	1,950	4,225
Excavation and zoning	1,300	1,300	2,080	780	2,500
Total Licenses and Permits	<u>24,900</u>	<u>24,900</u>	<u>45,553</u>	<u>20,653</u>	<u>42,193</u>
Intergovernmental Revenue:					
Grant revenue	-	-	57,598	57,598	15,810
State Highway Users Fund	108,336	108,336	115,185	6,849	110,934
Animal control reimbursement (County)	33,895	33,895	34,861	966	33,966
Motor vehicle fees	13,000	13,000	11,948	(1,052)	13,214
State highway maintenance	8,855	8,855	7,227	(1,628)	12,274
Total Intergovernmental Revenue	<u>164,086</u>	<u>164,086</u>	<u>226,819</u>	<u>62,733</u>	<u>186,198</u>
Charges for Services:					
Building inspection fees	65,564	65,564	44,341	(21,223)	53,708
Fire department administrative fee	25,383	25,383	25,400	17	25,383
Other charges for services	5,100	5,100	3,495	(1,605)	3,114
Animal control fees	13,000	13,000	12,295	(705)	12,587
Total Charges for Services	<u>109,047</u>	<u>109,047</u>	<u>85,531</u>	<u>(23,516)</u>	<u>94,792</u>
Fines and Forfeitures:					
Traffic fines	11,100	11,100	11,797	697	10,892
Other	5,200	5,200	4,772	(428)	4,580
Court fines	11,400	11,400	7,976	(3,424)	9,851
Parking fines	1,200	1,200	2,465	1,265	890
Total Fines and Forfeitures	<u>28,900</u>	<u>28,900</u>	<u>27,010</u>	<u>(1,890)</u>	<u>26,213</u>
Other:					
Investment income	1,190	1,190	1,926	736	1,108
Donations and contributions	4,000	4,000	5,075	1,075	8,992
Other income	5,800	5,800	34,876	29,076	21,912
Total Other	<u>10,990</u>	<u>10,990</u>	<u>41,877</u>	<u>30,887</u>	<u>32,012</u>
Total Revenues	<u>1,900,588</u>	<u>1,900,588</u>	<u>2,412,891</u>	<u>512,303</u>	<u>1,965,778</u>

(continued)

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

City of Leadville, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015
(With Comparative Actual Amounts For the Year Ended 2014)
(Continued)

	2015			Final Budget Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
Expenditures:					
General Government:					
Executive	40,355	40,355	49,555	(9,200)	43,905
Administrative	64,246	64,246	61,852	2,394	69,523
City Clerk	37,457	37,457	34,911	2,546	30,587
City Treasurer	65,992	65,992	62,736	3,256	65,382
General operating	347,774	347,774	339,001	8,773	341,706
Police department	507,795	507,795	525,644	(17,849)	578,059
Animal shelter	80,780	80,780	82,017	(1,237)	80,520
Municipal court	19,932	19,932	17,672	2,260	21,863
Public works	404,482	404,482	433,869	(29,387)	552,338
Debt Service:					
Principal	54,014	54,014	40,287	13,727	24,375
Interest	-	-	6,681	(6,681)	4,370
Total Expenditures	<u>1,622,827</u>	<u>1,622,827</u>	<u>1,654,225</u>	<u>(31,398)</u>	<u>1,812,628</u>
Excess of Revenues Over Expenditures	<u>277,761</u>	<u>277,761</u>	<u>758,666</u>	<u>480,905</u>	<u>153,150</u>
Other Financing (Uses)					
Transfer (out)	(302,761)	(302,761)	(292,982)	9,779	(269,491)
Sale of capital assets	25,000	25,000	3,900	(21,100)	378,025
Capital outlay	-	(245,000)	(178,424)	66,576	(168,035)
Lease proceeds	-	-	11,411	11,411	168,035
Total Other Financing (Uses)	<u>(277,761)</u>	<u>(522,761)</u>	<u>(456,095)</u>	<u>66,666</u>	<u>108,534</u>
Net Change in Fund Balances	<u>-</u>	<u>(245,000)</u>	<u>302,571</u>	<u>547,571</u>	<u>261,684</u>
Fund Balances - Beginning			<u>1,287,803</u>		<u>1,026,119</u>
Fund Balances - Ending			<u>1,590,374</u>		<u>1,287,803</u>

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

City of Leadville, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
Conservation Trust Fund
For the Year Ended December 31, 2015
(With Comparative Actual Amounts For the Year Ended 2014)

	2015			Final Budget Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
Revenues:					
State lottery funds	28,000	28,000	24,824	(3,176)	24,960
Investment income	65	65	102	37	65
Total Revenues	28,065	28,065	24,926	(3,139)	25,025
Expenditures:					
Parks	10,000	17,500	16,418	1,082	11,598
Other	11,656	11,656	12,884	(1,228)	8,178
Total Expenditures	21,656	29,156	29,302	(146)	19,776
Net Change in Fund Balances	6,409	(1,091)	(4,376)	(3,285)	5,249
Fund Balances - Beginning			63,648		58,399
Fund Balances - Ending			59,272		63,648

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

City of Leadville, Colorado
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
Fire Operations Fund
For the Year Ended December 31, 2015
(With Comparative Actual Amounts For the Year Ended 2014)

	<u>2015</u>		Final Budget Variance Positive (Negative)	<u>2014</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Intergovernmental revenue - Lake County	706,443	683,624	(22,819)	628,812
Grants	-	182,996	182,996	-
Forest service payments	-	90,224	90,224	1,193
Standby payments	-	4,016	4,016	3,824
Donations and contributions	-	749	749	2,601
Investment income	-	56	56	32
Total Revenues	<u>706,443</u>	<u>961,665</u>	<u>255,222</u>	<u>636,462</u>
Expenditures:				
Salaries, wages and taxes	720,954	704,041	16,913	640,789
Wildfire assignment and standby expense	50,000	39,499	10,501	27,900
Other fire expense	288,250	301,249	(12,999)	257,513
Capital outlay	100,000	261,215	(161,215)	-
Total Expenditures	<u>1,159,204</u>	<u>1,306,004</u>	<u>(146,800)</u>	<u>926,202</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(452,761)</u>	<u>(344,339)</u>	<u>108,422</u>	<u>(289,740)</u>
Other Financing Sources (Uses):				
Transfers in	302,761	292,982	(9,779)	269,491
Total Other Financing Sources	<u>302,761</u>	<u>292,982</u>	<u>(9,779)</u>	<u>269,491</u>
Net Change in Fund Balances	<u>(150,000)</u>	<u>(51,357)</u>	<u>98,643</u>	<u>(20,249)</u>
Fund Balances - Beginning		<u>124,067</u>		<u>144,316</u>
Fund Balances - Ending		<u>72,710</u>		<u>124,067</u>

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

City of Leadville, Colorado
Schedule of Employer's Proportionate Share of Net Pension Asset / Liability
Fire and Police Pension Association of Colorado
Last 10 Fiscal Years *

Defined Benefit Plan:	2014	2013
Fire:		
City's portion of the net pension asset - Fire	0.092478%	0.086585%
City's proportionate share of the net pension asset - Fire	82,692	77,664
City's covered-employee payroll - Fire	415,875	377,238
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll - Fire	20%	21%
Police:		
City's portion of the net pension asset - Police	0.063008%	0.067286%
City's proportionate share of the net pension asset - Police	56,341	60,167
City's covered-employee payroll - Police	283,350	292,250
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll - Police	20%	21%
Plan fiduciary net position as a percentage of the total pension asset	106.80%	105.80%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014 for the employer plan, and fiscal year 2015 for the volunteer plan.

Notes to the Schedule of Employer's Proportionate Share of the Net Pension Asset / Liability for the year ended December 31, 2014

Note 1. Changes of assumptions.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.

City of Leadville, Colorado
Schedule of City Contributions
Fire and Police Pension Association of Colorado
Last 10 Fiscal Years *

Cost Share Plans:	2014
Fire:	
Contractually required contribution	33,270
Contributions in relation to the contractually required contribution	(33,270)
Contribution deficiency (excess)	-
City's covered-employee payroll	415,875
Contributions as a percentage of covered-employee payroll	8.00%
Police:	
Contractually required contribution	22,668
Contributions in relation to the contractually required contribution	(22,668)
Contribution deficiency (excess)	-
City's covered-employee payroll	283,350
Contributions as a percentage of covered-employee payroll	8.00%

Agent: Old Hire Plan - Fire:	2014
Actuarially determined contribution	8,461
Actual contribution	(8,461)
Contribution deficiency (excess)	-
City's covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014.

Notes to the Schedule of Town Contributions for the Year Ended December 31, 2014

Note 1. Changes of assumptions.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.

City of Leadville, Colorado
Schedule of Changes in Net Pension Asset / Liability
Fire "Old Hire" Plan
Last 10 Fiscal Years *

Measurement period ending December 31,	<u>2014</u>
Total Pension Liability	
Interest on the Total Pension Liability	19,216
Benefit Payments	<u>(27,990)</u>
Net Change in Total Pension Liability	<u>(8,774)</u>
Total Pension Liability - Beginning	<u>269,960</u>
Total Pension Liability - Ending (a)	<u><u>261,186</u></u>
Plan Fiduciary Net Position	
Employer Contributions	8,461
Pension Plan Net Investment Income	10,756
Benefit Payments	(27,990)
Pension Plan Administrative Expense	<u>(5,881)</u>
Net Change in Plan Fiduciary Net Position	<u>(14,654)</u>
Plan Fiduciary Net Position - Beginning	<u>173,527</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>158,873</u></u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u><u>102,313</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.83%
Covered Employee Payroll	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A

**Notes to the Schedule of Changes in Net Pension Asset / Liability
for the Year Ended December 31, 2014**

Note 1. Changes of assumptions.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.

SUPPLEMENTARY INFORMATION



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

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Leadville
	YEAR ENDING : December 2015

This Information From The Records Of (example - City of _ or County of _)	Prepared By: Phone:	Roy D. McGinnis 719-486-5329
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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
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	13,697
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	263,346
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations		b. Snow and ice removal	175,564
3. Other local imposts (from page 2)	185,665	c. Other	
4. Miscellaneous local receipts (from page 2)	11,797	d. Total (a. through c.)	175,564
5. Transfers from toll facilities		4. General administration & miscellaneous	9,278
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	218,555
a. Bonds - Original Issues		6. Total (1 through 5)	680,440
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	546,081	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	134,359	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	680,440	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	680,440

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		680,440	680,440		(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2015

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	11,797
1. Sales Taxes	168,179	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	17,486	g. Other Misc. Receipts	
6. Total (1. through 5.)	185,665	h. Other	
c. Total (a. + b.)	185,665	i. Total (a. through h.)	11,797
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	115,185	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	11,948	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant	7,227	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	19,174	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	134,359	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		13,697	13,697
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	13,697	13,697
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	13,697	13,697
			(Carry forward to page 1)

Notes and Comments: